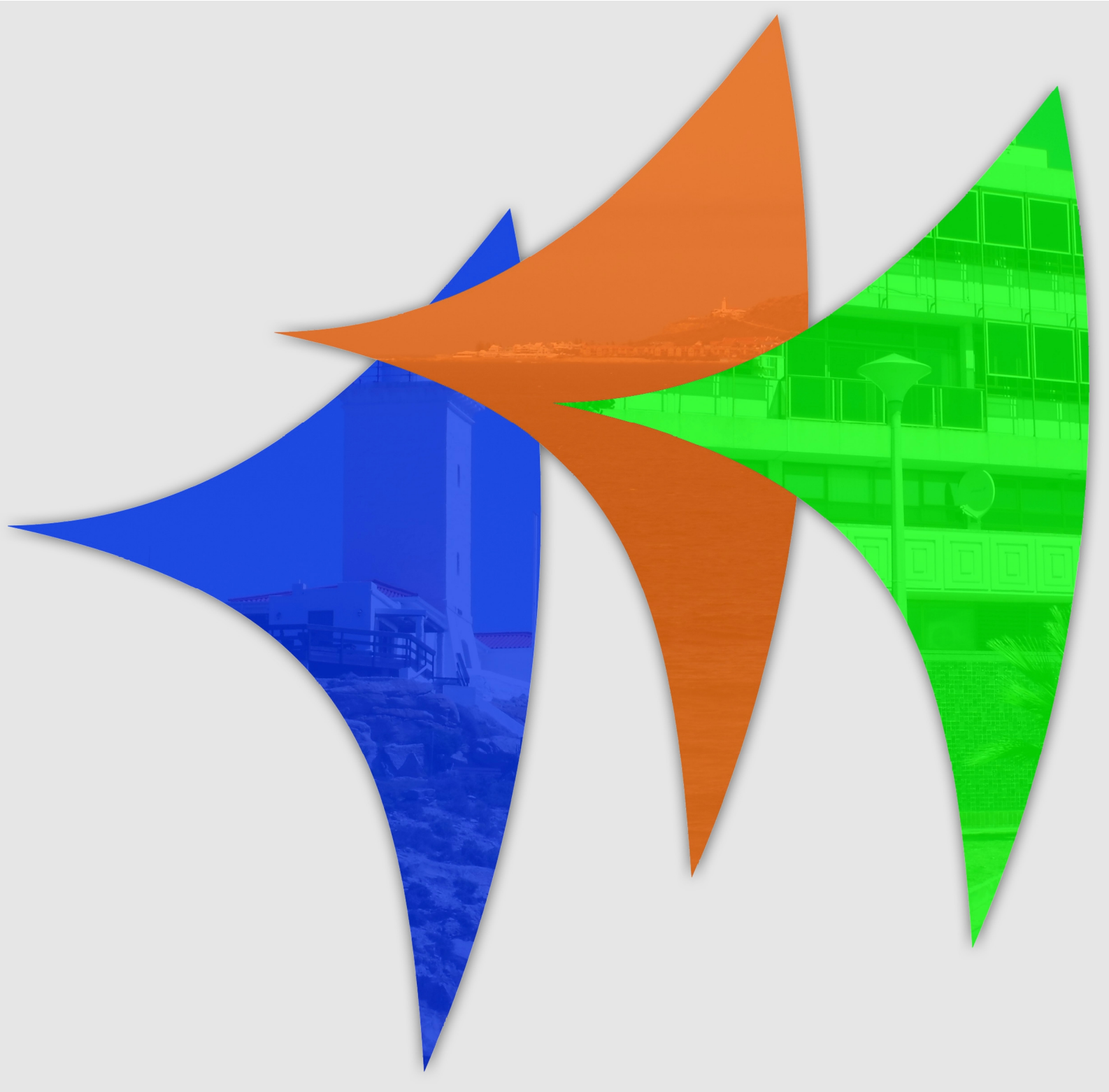




MOSSELBAAI MOSSSEL BAY MOSSSELBAYI

MOSSSEL BAY MUNICIPALITY



**2011/2012
ANNUAL FINANCIAL STATEMENTS**

VISION

We strive to be a trend-setting, dynamic Municipality delivering quality services responsive to the demands and challenges of the community and our constitutional mandate, in which all stakeholders can participate in harmony and dignity.

MISSION

- To render cost-effective and sustainable services to the entire community with diligence and empathy.
- To create mutual trust and understanding between the municipality and the community.
- To have a motivated and representative municipal workforce with high ethical standards, which is empowered to render optimal services to the community.
- To apply good and transparent corporate governance in order to promote community prosperity.

VALUES

The community is our inspiration and our workforce is our strength in the quest for community development and service delivery. We therefore value:

- Work pride.
- Service excellence.
- Integrity.
- Loyalty.
- Accountability.



Explore Endless Horizons!

CONTENTS

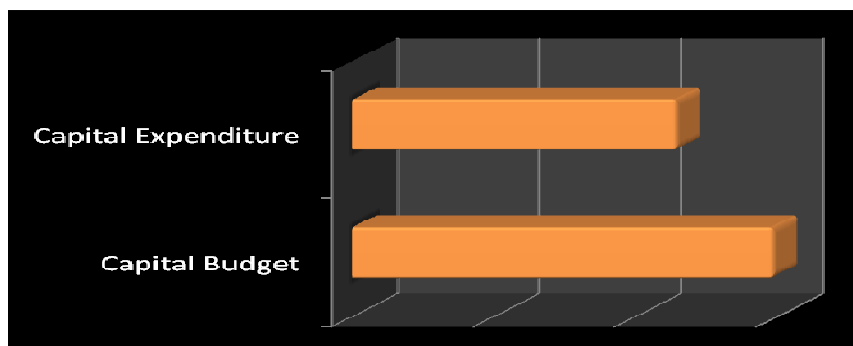
	PAGE
Review of the year	4 – 5
Certification by the Accounting Officer	6
Report of the Chief Financial Officer	7 – 21
Report of the Auditor-General	22 – 25
Statement of Financial Position	26
Statement of Financial Performance	27
Statement of Changes in Net Assets	28
Cash Flow Statement	29
Notes to the Annual Financial Statements:	
<i>Note 1: Accounting Policy</i>	30 – 58
<i>Notes 2 - 55: Other Notes to Annual Financial Statements</i>	59 – 104
Appendices:	
<i>Appendix A: Schedule of External loans</i>	105
<i>Appendix B: Segmental Statement of Financial Performance</i> <i>(Municipal Department Classification)</i>	106
<i>Appendix C: Segmental Statement of Financial Performance</i> <i>(GFS Classification)</i>	107
<i>Appendix D: Actual vs Budget (Revenue + Expenditure)</i>	108 – 109
<i>Appendix E: Actual vs Budget (Acquisition of PPE)</i>	110 – 111
<i>Appendix F: Disclosure of Grants & Subsidies</i>	112 – 115
General information	116
Contacts	117 – 126

REVIEW OF THE YEAR

1 FINANCIAL PERFORMANCE

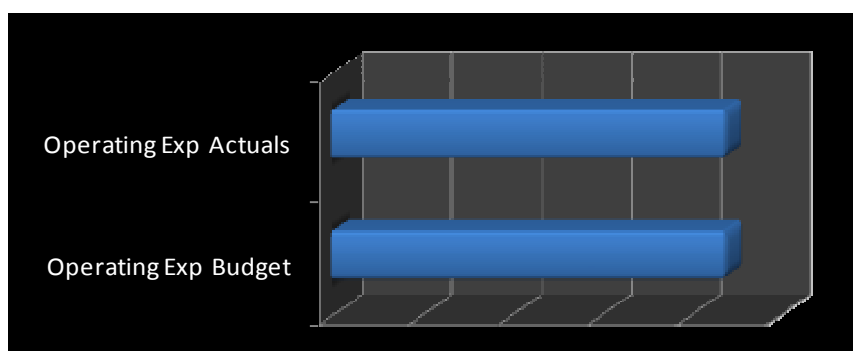
1.1 Budget VS Actual

CAPITAL:



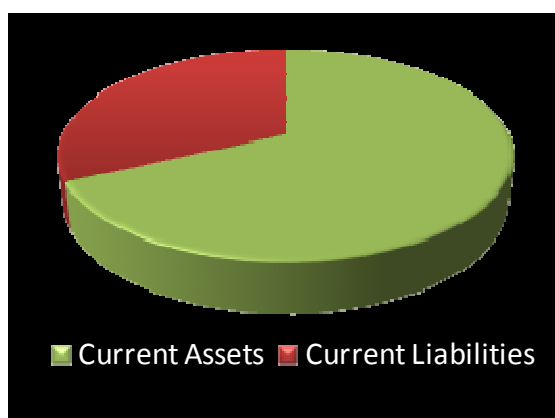
76.4%

OPERATING EXPENDITURE:



99.8%

2 LIQUIDITY POSITION



2.2 : 1

The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. This ratio has improved from the prior year when the ratio was 1,6:1.

3 CASH OPERATIONS

The Statement of Financial Performance shows a deficit of R423,4 million, however there are various non-cash transactions that is included in the amounts presented on this Statement. If the non-cash transactions and contra transactions are taken into account the municipality's Statement of Financial Performance shows a surplus for the year under review of R15,9 million.

The table below shows the amounts as per the Statement of Financial Performance, the Budget and the Cash operations per Source of Revenue and Type of Expenditure:

Description	2012 Actual (R)	2012 Cash Operations (R)
REVENUE		
Property rates	(71,386,891)	(71,386,891)
Property rates - penalties imposed & collection charges	(1,720,676)	(1,720,676)
Service charges	(402,588,187)	(402,588,187)
Rental of facilities & equipment	(2,196,033)	(2,196,033)
Interest earned - external investments	(12,556,435)	(12,556,435)
Interest earned - outstanding debtors	(291,669)	(291,669)
Fines	(4,911,385)	(4,911,385)
Licences and permits	(4,531,520)	(4,531,520)
Government grants and subsidies - Operating	(66,215,089)	(49,119,756)
Government grants and subsidies - Capital	(36,039,684)	-
Other income	(76,925,254)	(38,096,159)
Public contributions, donated/contributed PPE	(6,580,944)	(3,691,393)
Gains on disposal of PPE/Land	(4,570,854)	-
Total Revenue	(690,514,621)	(591,090,104)
EXPENDITURE		
Employee-related costs	170,615,598	161,972,587
Remuneration of Councillors	7,753,895	7,753,895
Bad debts	18,725,706	18,725,706
Collection costs	5,810,207	5,810,207
Depreciation	43,162,986	797,506
Amortisation - Intangible Assets	41,199	-
Repairs and maintenance	40,621,903	40,621,903
Interest expense	1,619,381	1,619,381
Bulk purchases	167,366,152	167,366,152
Contracted services	27,411,007	27,411,007
Grants and subsidies paid	3,018,847	3,018,847
Transfer Capital Grants	-	-
General expenses - other	161,101,888	140,009,429
Loss on disposal of PPE	907,336	-
Total Expenditure	648,156,103	575,106,618
ITEMS NOT BUDGETED FOR:		
Impairment on Investment Property	465,719,032	-
Total Items not budgeted for	465,719,032	-
NET (SURPLUS)/DEFICIT FOR THE YEAR	423,360,514	(15,983,485)

CERTIFICATION BY ACCOUNTING OFFICER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 123 in terms of Section 126(1) of the Municipal Finance Management Act, No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 31 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.


.....
Accounting Officer
Dr M Gratz


.....
Date

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2012 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2011/12 financial performance of the municipality to the 2010/11 comparative figures:

RATIO DESCRIPTION	2010/11	2011/12
<u>REVENUE MANAGEMENT</u>		
Level of reliance on Government grants	25,7%	14,7%
Actual income vs Budgeted income*	(6,6%)	(5,5%)
<u>EXPENDITURE MANAGEMENT</u>		
Personnel costs to total expenditure	27,4%	26,3%
Actual expenditure vs Budgeted expenditure*	(7%)	(0,2%)
Interest paid as a percentage of total expenditure	0,1%	0,2%
Repairs and maintenance / PPE (carrying amount)	2,6%	3,4%
Repairs and maintenance / Total expenditure	4,9%	6,3%
<u>ASSET MANAGEMENT</u>		
Acquisition of PPE – Actual vs Budgeted**	(10,2%)	(23,6%)
Stockholding period	15 days	10 days
<u>DEBT MANAGEMENT</u>		
Creditors payment period	25 days	29 days
Arrear debtors collection period	35 days	30 days
<u>LIQUIDITY</u>		
Current ratio	1,7 : 1	2,2 : 1
Acid Test ratio	1,6 : 1	2,1 : 1
Turnover of accounts receivable	5,8 : 1	6,8 : 1
Cash to Interest	283,2 : 1	121,9 : 1
Debt to Cash	1,4 : 1	1,7 : 1
Cash to Income	1,4 : 1	(0,5) : 1
Total Liabilities / Total Assets	0,1 : 1	0,2 : 1

* Refer to Appendix D for explanations on variances.

** Refer to Appendix E for explanations on variances.

3 LIQUIDITY POSITION OF MUNICIPALITY

3.1 Liquidity

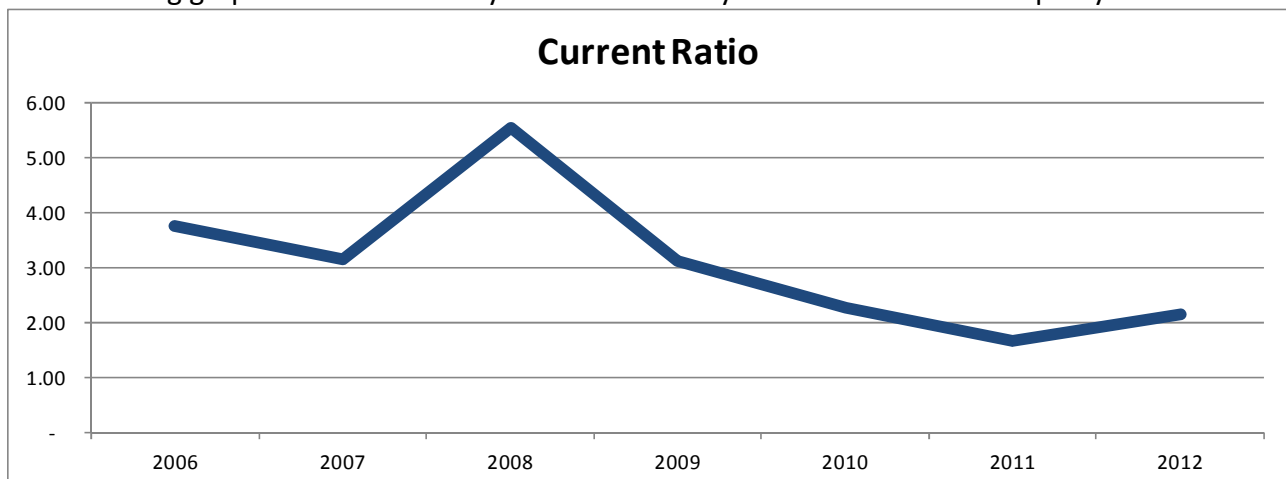
There are two main liquidity ratios that can be used to analyse the liquidity position of the Municipality, namely the Current and Acid Test ratios. There are various other liquidity ratios that can be utilised to assess the Municipality's liquidity position.

The calculation of these ratios is as follows:

RATIO DESCRIPTION	FORMULA	2010/11	2011/12
<u>Current ratio</u>	Current Assets	286 864 812	273 316 136
	Current Liabilities	168 923 890	123 846 626
		1,7	2,2
<u>Acid Test ratio</u>	Current Assets – Inventory	270 212 586	260 541 688
	Current Liabilities	168 923 890	123 846 626
		1,6	2,1
<u>Turnover of accounts receivable</u>	Revenue (credit)	400 459 072	475 987 423
	Accounts receivable	68 705 606	70 243 788
		5,8	6,8
<u>Debt to cash</u>	Total Liabilities	275 953 372	342 686 418
	Cash balance at end of period	196 971 489	197 474 049
		1,4	1,7

The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. The ratio for the year under review has improved compared to the 2010/11 financial year. The Municipality generates 6,8 times more revenue than what the outstanding accounts are. The debtors' collection period (for debtors in arrears) has also improved from 35 days in 2010/11 to 30 days in the 2011/12 year.

The following graph shows the history and the current year ratio for the municipality:



4 OPERATING RESULTS

4.1 Summary of Results

Details of the operating results per segmental classification are included in Appendix B and C, while operational results per category, together with an explanation of significant variances of more than 10 per cent from the adjusted budget, are included in Appendix D.

These amounts are based on the total position of the municipality (including non-cash transactions):

DESCRIPTION	Actual 2010/11	Actual 2011/12	Variance	Adjusted Budget 2011/12	Variance
INCOME					
Opening surplus/(deficit)	1 381 234 900	1 783 629 428	29,1%		
Operating income for the year	723 704 437	655 743 026	-9,4%	693 617 877	-5,5%
Fair Value Adjustment	1 662 150	34 771 595		1 500 000	
Appropriations for the year	50 920 997	10 482 960	-79,4%	-	
	2 157 522 484	2 484 627 008	15,2%	695 117 877	257,4%
EXPENDITURE					
Operating expenditure for the year	584 886 229	648 156 103	10,8%	649 487 436	-0,2%
Sundry transfers	-210 993 173	-110 833	-99,9%	-	
Revaluation of Inv Prop	-	465 719 032			
Closing surplus/(deficit)	1 783 629 428	1 370 862 707	23,1%	45 630 441	
	2 157 522 484	2 484 627 008	15,2%	695 117 877	257,4%

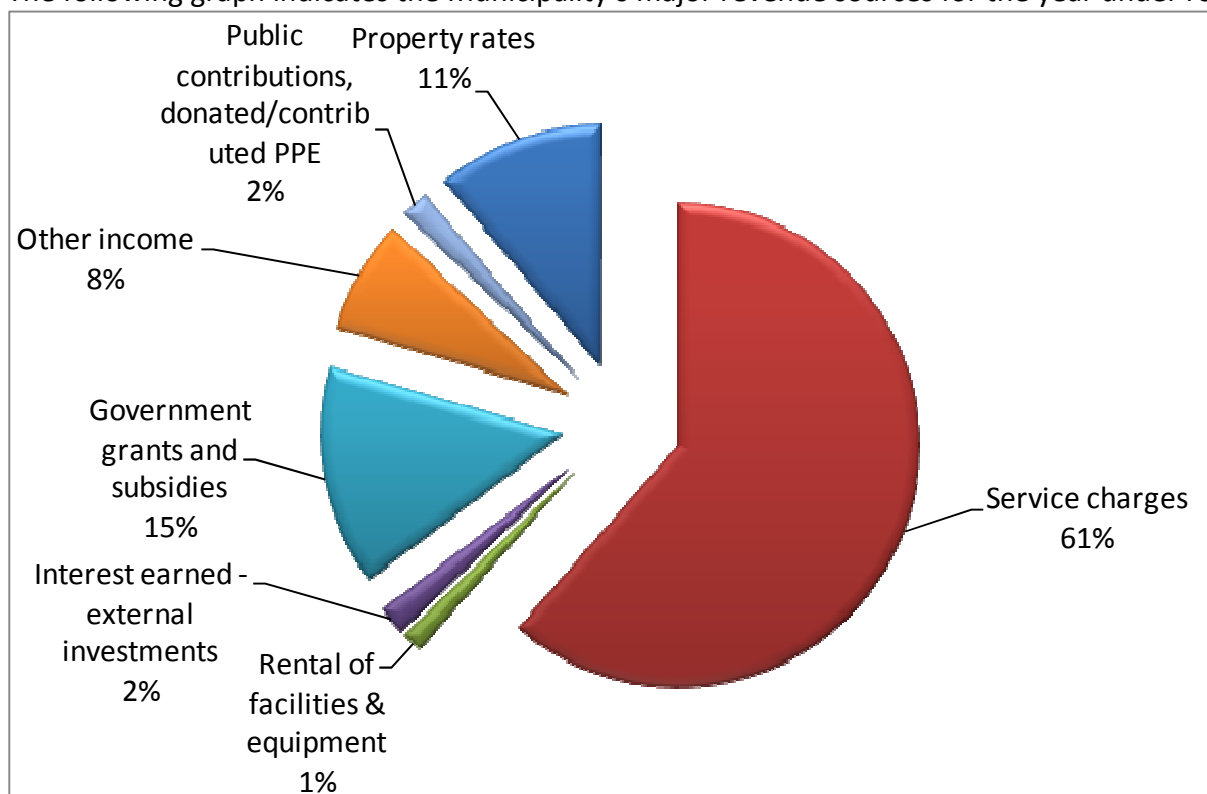
The accumulated surplus at 30 June 2012 amounted to R1 371 million. The accumulated surplus of R1 783 million at 30 June 2011 was restated with previous year corrections of R110 833, amounting to R1 783,9 million. From the 2010/11 financial year the accumulated surplus decreased with R412,8 million or 23,1% to the 2011/12 financial year. The reason for this decrease is the adjustment due to the impairment of Investment Property during the revaluation of these properties done at year end.

The operating income decreased by 9,4 per cent to R655,7 million from the previous financial year's income of R723,7 million. The main contributor to this is the decrease in grants and subsidies as well as public contributions received in the 2010/11 financial year in order to fund the Seawater Desalination Plant project. The operating expenditure increased by 10,8 per cent to R648,2 million.

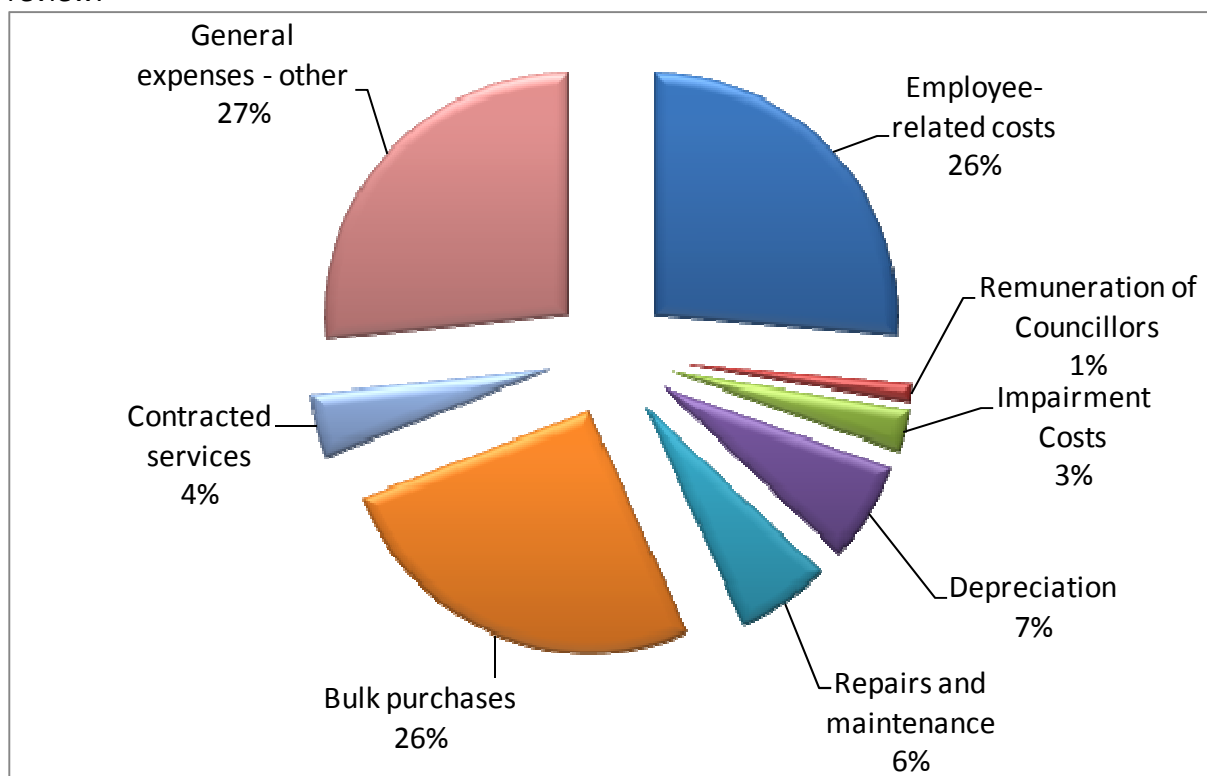
The Municipality's financial statements ended on a deficit of R423,4 million. It must, however, be taken into account that various non-cash transactions is included in this surplus. If these non-cash transactions are taken into account, the cash surplus comes to R15,9 million.

4.2 Operating Revenue and Expenditure

The following graph indicates the Municipality's major revenue sources for the year under review:



The following graph indicates the Municipality's major types of expenditure for the year under review:



4.3 Rates and General Services

DESCRIPTION	Actual 2010/11	Actual 2011/12	Variance	Adjusted Budget 2011/12	Variance
Income	246 356 052	324 221 896	31,6%	346 470 958	(6,4%)
Expenditure	288 260 959	835 093 037	189,7%	363 025 941	130%
Surplus/(deficit)	(41 904 907)	(510 871 141)	1119,1%	(16 554 983)	2985,9%
Surplus/(deficit) as % of total income	(17%)	(157,6%)		(4,8%)	

Variance from 2010/11 Actual:

The deficit with regards to Rates and other General services amount to R510 million for the 2011/12 financial year and the 2010/11 financial year's deficit was R41,9 million. However, the 2011/12 deficit is not a cash deficit as actuarial losses (R38 million) and fair value adjustments (R430 million) to Investment property is also taken into account, which are non-cash transactions.

Variance from 2011/12 Budget:

The total actual income is 6,4% per cent lower than the budgeted amount of R346,5 million for the 2011/12 financial year. The expenditure is 130 per cent more than the budgeted amount of R363 million. A non-cash impairment of Investment Property of R465 million is included in the actual amount. If this is removed from the actual amount the Rates and General services budget is overspent by only 1,8%.

4.4 Trading Services

The Municipality purchases electricity in bulk from Eskom and then redistributes it to the consumers. The electricity tariffs are considered together with all other tariffs during the compilation of the operational budget. Any increase in the electricity tariffs must be approved by the National Electricity Regulator before the Municipality can implement it. Eskom normally adjusts its tariffs in January of every year but the Municipality endeavours to limit its increase to only one increase during July every year. The Municipality has some of its own water sources and also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

4.4.1 Electricity

DESCRIPTION	Actual 2010/11	Actual 2011/12	Variance	Adjusted Budget 2011/12	Variance
Income	233 580 821	271 561 120	16,3%	264 618 595	2,6%
Expenditure	164 248 226	203 916 009	24,2%	206 828 682	(1,4%)
Surplus/(deficit)	69 332 595	67 645 112	(2,4%)	57 789 913	17,1%
Surplus/(deficit) as % of total income	29,7%	24,9%		21,8%	

Variance from 2010/11 Actual:

The Electricity service showed a surplus for both the 2010/11 and the 2011/12 financial years, with a decrease of 2,4 per cent between the two years. The surplus of R67,6 million for the 2011/12 financial year represents a profit of 24,9 per cent. A profit of 29,7 per cent was realised in the 2010/11 financial year.

Variance from 2011/12 Budget:

The total actual income is 2,6 per cent more than the budgeted amount of R264,6 million for the 2011/12 financial year. The expenditure is 1,4 per cent less than the budgeted amount of R206,8 million.

The following table provides information on electricity distribution:

ELECTRICITY DISTRIBUTION	2010/11 Financial year	2011/12 Financial year
Units purchased (kWh)	285 600 053	289 287 923
Purchase price per kWh	44 cents	55 cents
Units sold (kWh)	259 925 733	263 909 561
Free units	8 189 210	8 143 456
Units lost during distribution (kWh)	17 485 110	17 234 906
Percentage lost during distribution	6,12 %	5,96 %
Total cost per unit	51,05 cents	58,28 cents
Net sales per unit	71 cents	84 cents
Total income	R186 274 409	R221 684 031

4.4.2 Water

DESCRIPTION	Actual 2010/11	Actual 2011/12	Variance	Adjusted Budget 2011/12	Variance
Income	245 429 714	94 731 605	(61,4%)	84 028 324	12,7%
Expenditure	132 377 044	74 866 089	(43,4%)	79 632 813	(6%)
Surplus/(deficit)	113 052 670	19 865 516	(82,4%)	4 395 511	352%
Surplus/(deficit) as % of total income	46,1%	21%		5,2%	

Variance from 2010/11 Actual:

The Water service showed a surplus for both the 2010/11 and 2011/12 financial years. The surplus decreased by 82,4% from the previous year. The surplus of R19,9 million for the 2011/12 financial year represents a profit of 21 per cent, whereas a profit of 46,1 per cent was realised in the 2010/11 financial year.

Variance from 2011/12 Budget:

The total actual income is 12,7 per cent more than the budgeted amount of R84 million for the 2011/21 financial year, while the expenditure is 6 per cent less than the budgeted amount of R79,6 million.

The following provides information on water distribution:

WATER DISTRIBUTION	2010/11 Financial year	2011/12 Financial year
<i>Mega litres purified</i>	5 302	6 808
<i>Mega litres sold</i>	4 463	6 187
<i>Mega litres lost during distribution</i>	839	621
<i>Percentage lost during distribution</i>	15,83%	9,12%

5 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure during the year as stated in the financial statements amounted to R110 671 497 and was financed as follows:

SERVICE AREA	2011/12 Actuals	% of Total Capital Expenditure
<i>Community services/facilities</i>	4 741 884	4.3%
<i>Electricity</i>	16 652 326	15.0%
<i>Housing</i>	11 135 937	10.1%
<i>Refuse</i>	2 072 071	1.9%
<i>Sanitation</i>	17 030 429	15.4%
<i>Streets and Storm water</i>	37 838 481	34.2%
<i>Water</i>	10 677 706	9.6%
<i>Other</i>	10 522 664	9.5%
TOTAL	110 671 497	100.0%

The capital expenditure was financed as follows:

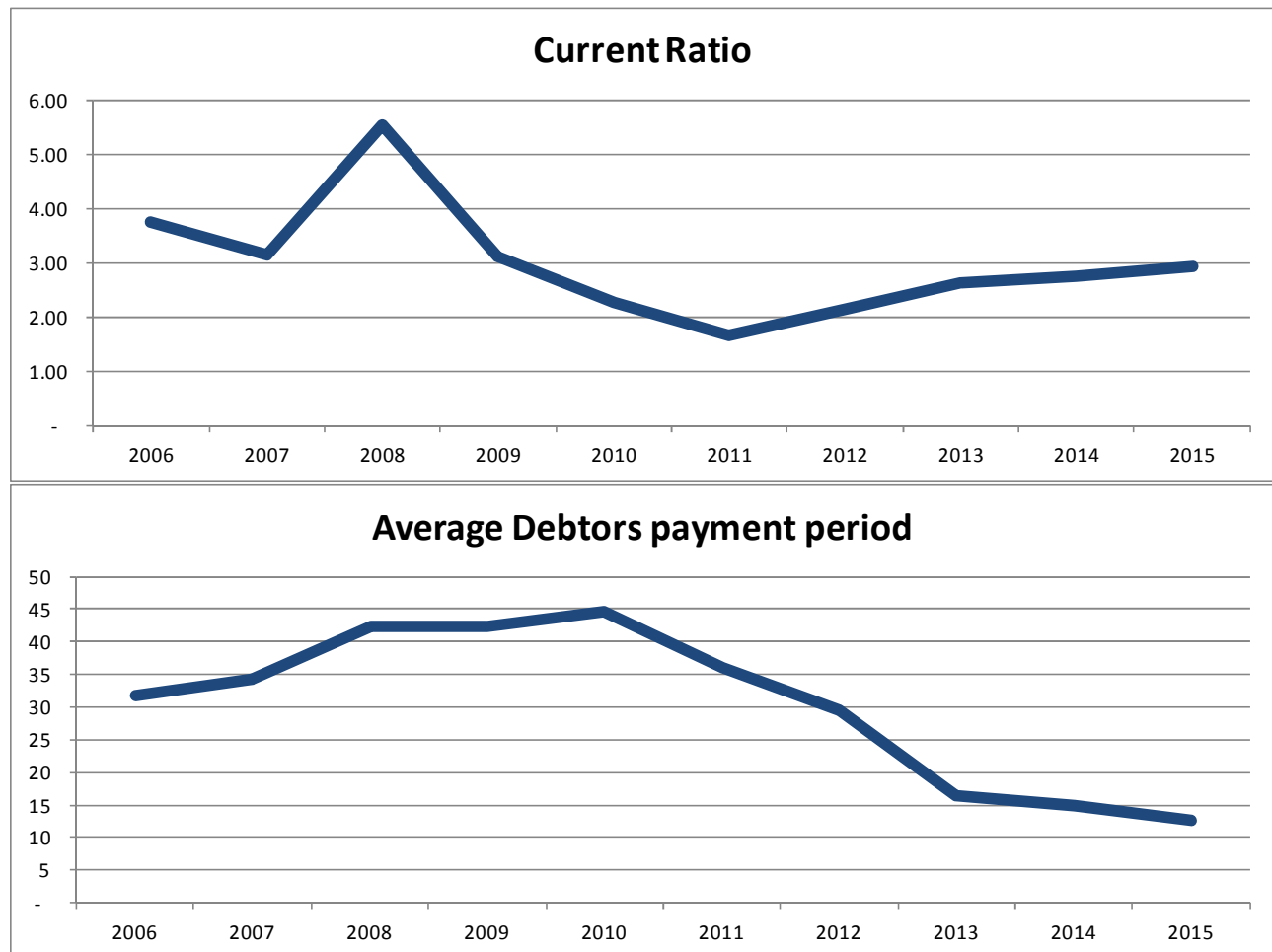
SOURCE OF FINANCE	2011/12 Actuals	% of Total Capital Funding
<i>Capital Replacement Reserve</i>	69 257 854	62.6%
<i>Grants and Subsidies</i>	34 230 003	30.9%
<i>Public contributions</i>	4 079 413	3.7%
<i>Other</i>	3 104 127	2.8%
TOTAL	110 671 497	100%

Property, Plant and Equipment is funded to a great extent from the Capital Replacement Reserve.

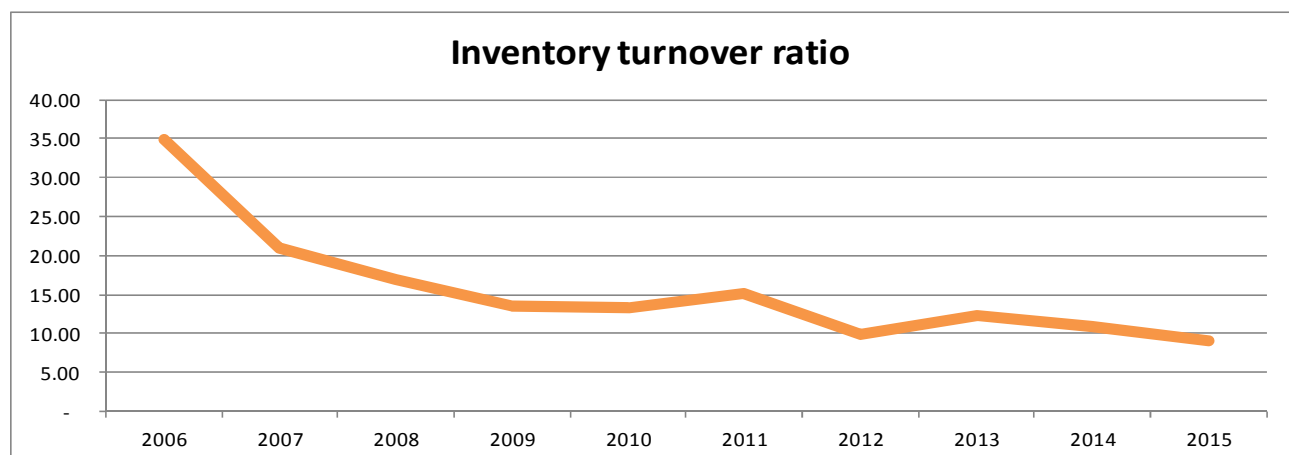
6 FINANCIAL SUSTAINABILITY

Financial sustainability refers to financial accounts which reflect sufficient revenue and adequate corporate stability in order to fund and deliver on service delivery and performance targets. Following are a few graphs on various financial ratios that show the past 6 years information, the current year information and the 3 budget years' information:

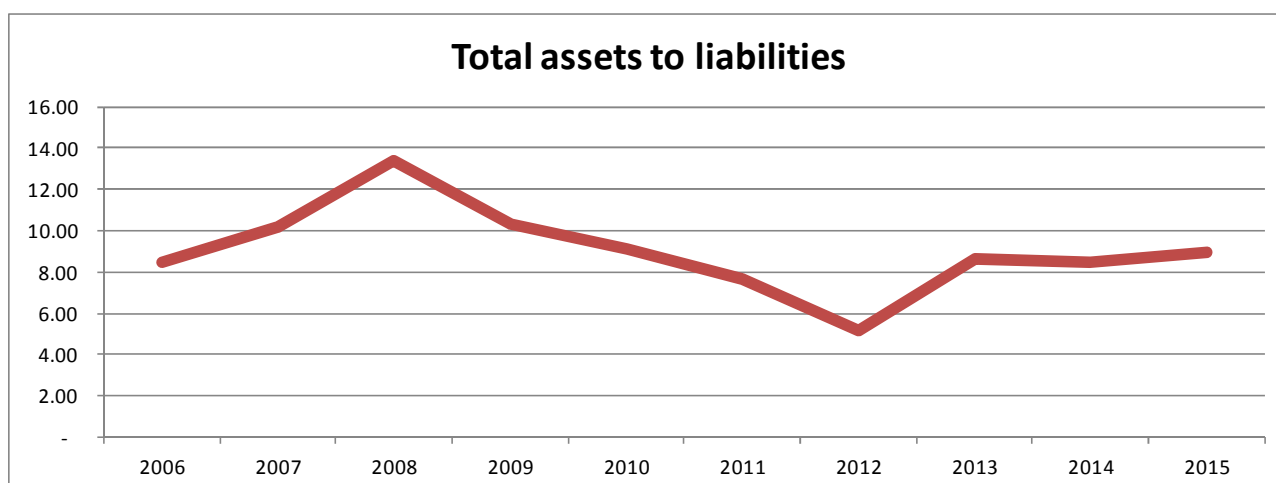
LIQUIDITY MEASUREMENT RATIOS



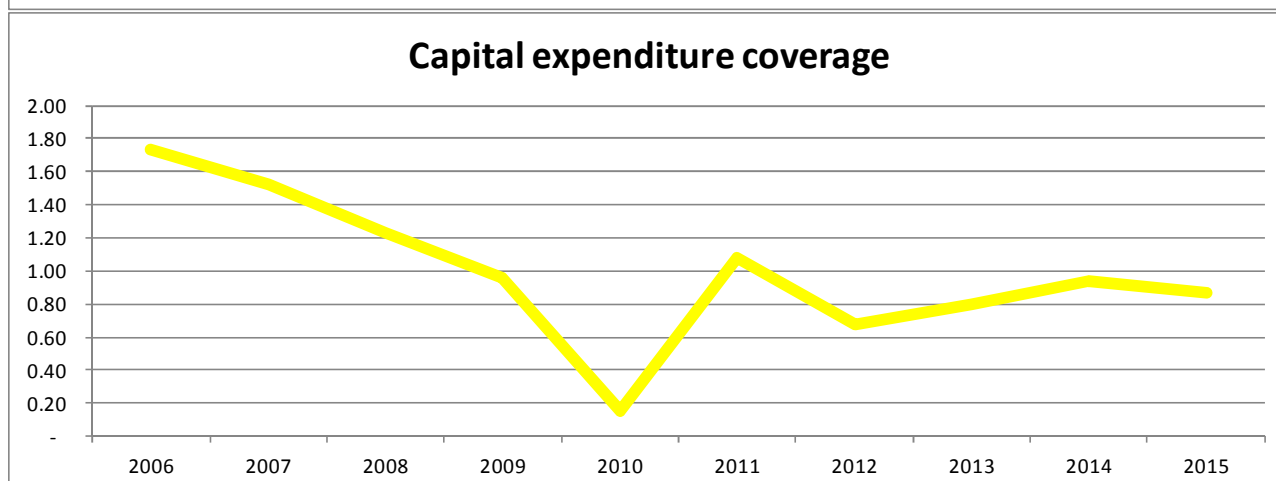
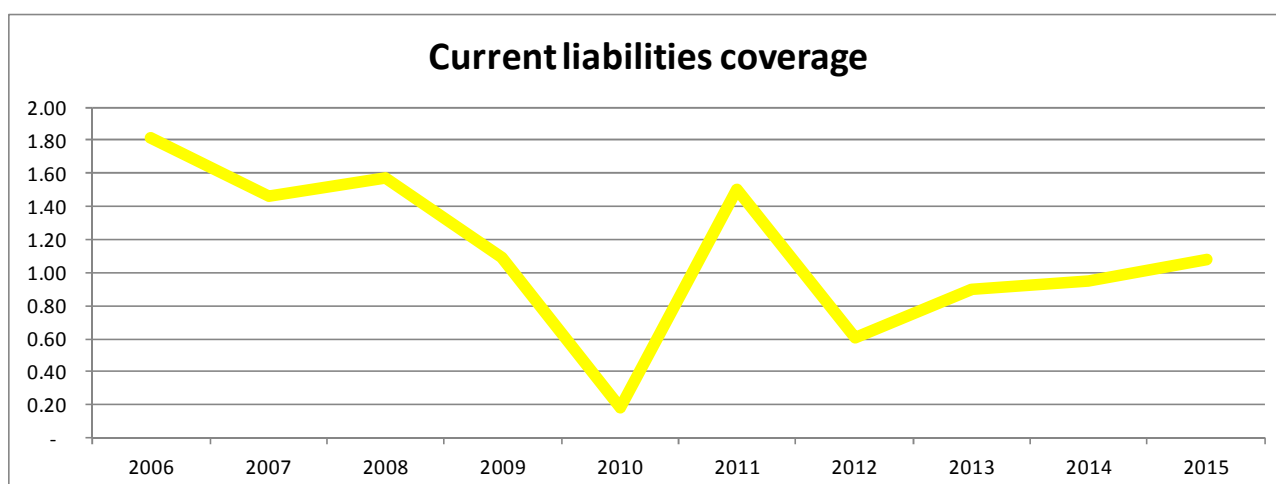
ACTIVITY RATIOS



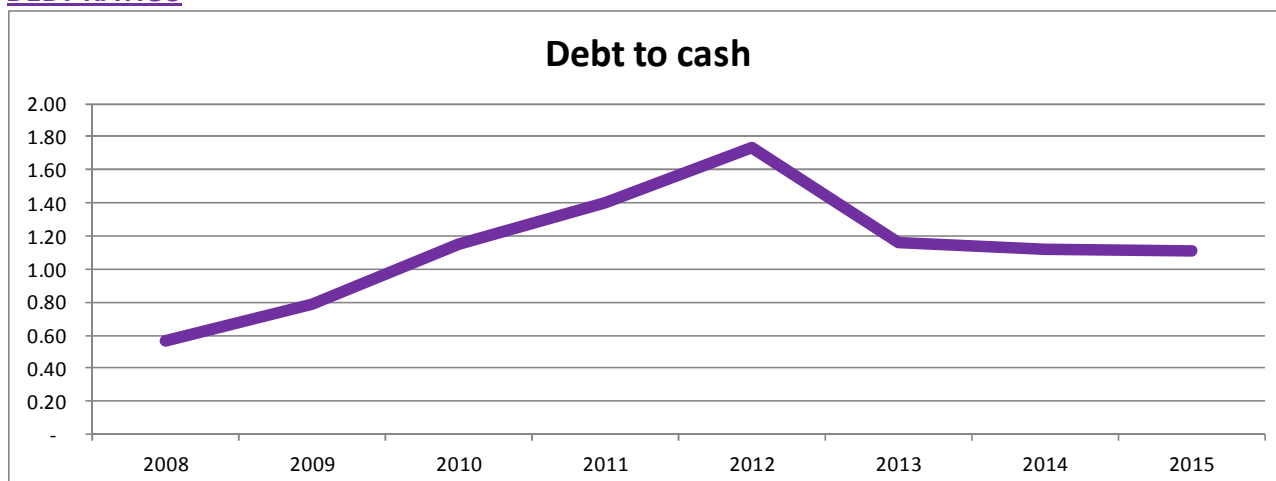
SOLVENCY RATIOS



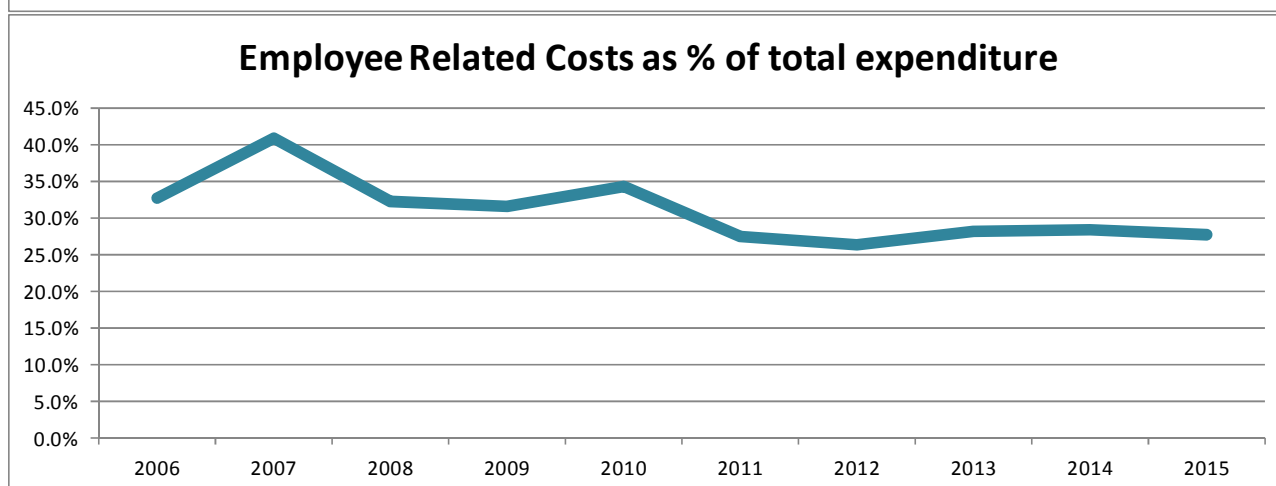
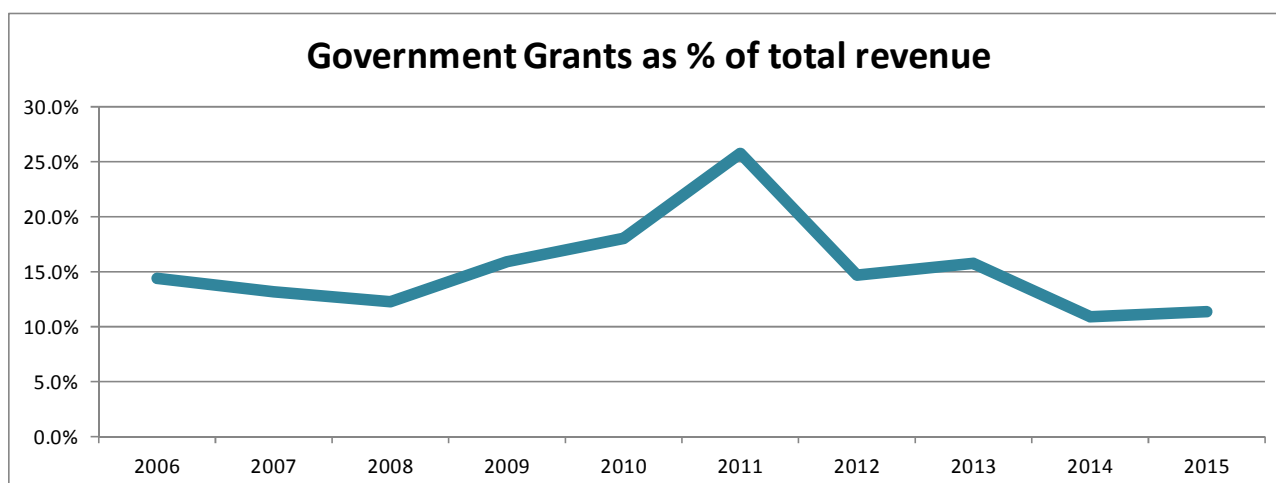
CASH FLOW INDICATOR RATIOS

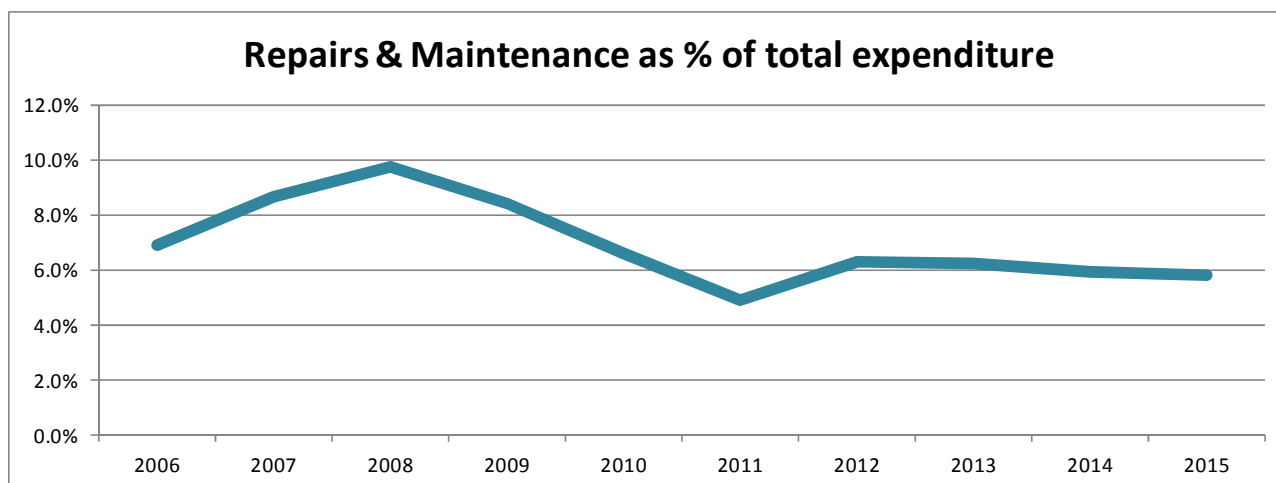


DEBT RATIOS



INCOME & EXPENDITURE TRENDS





7 CAPITAL REPLACEMENT RESERVE

The Capital Replacement Reserve balance at 30 June 2012 amounted to R52 870 044 (R58 444 327 as at 30 June 2011).

The Capital Replacement Reserve replaces the previous statutory funds, such as the Consolidated Capital Development and Loans Fund. It is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

8 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2012 the outstanding external loans amounted to R30 583 677 (R662 125 in 2011). Annuity loans to the amount of R77 039 were redeemed during this financial year. The municipality has taken up a loan of R30 million during the year under review for funding of the seawater desalination plant.

The Municipality's cashbook showed a positive balance of R27 455 389 and Petty Cash to the amount of R18 660 on 30 June 2011. The external investments amounted to R170 million against the R165 million of the previous year.

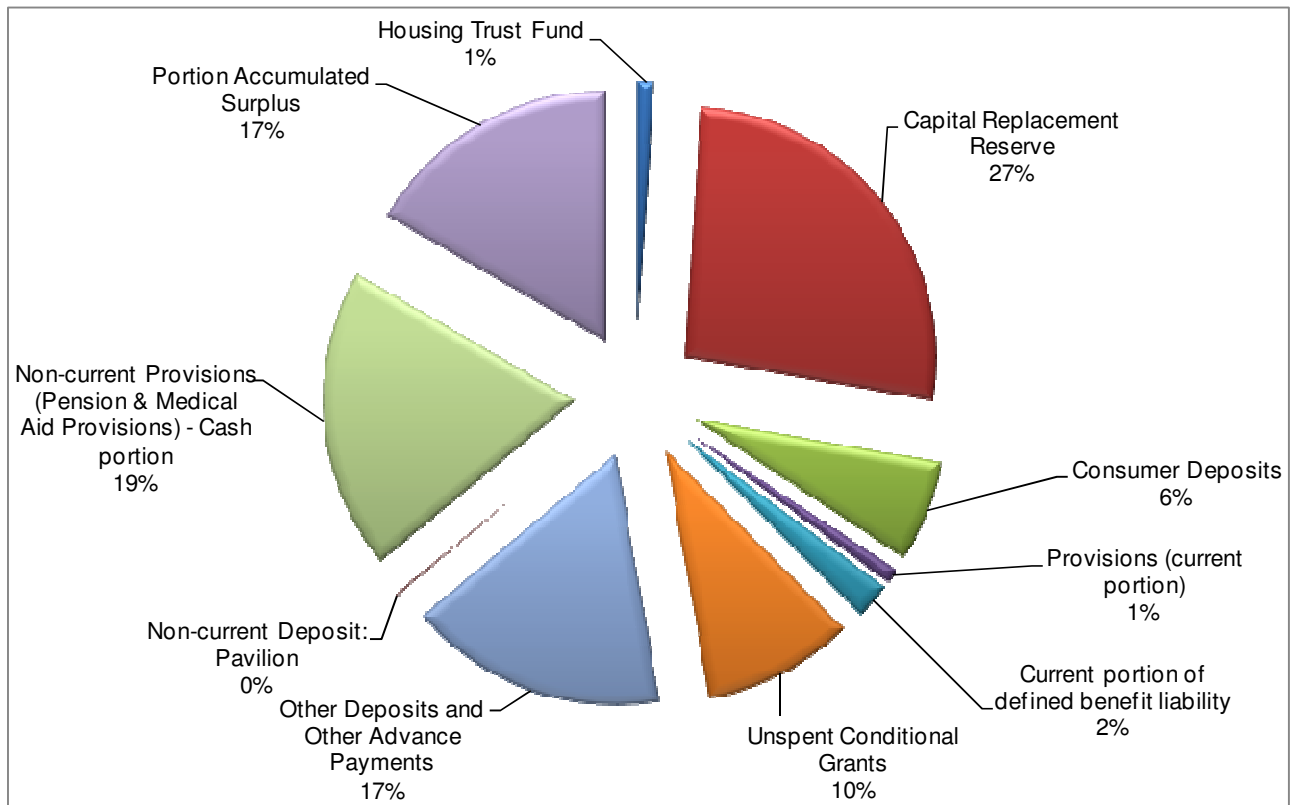
More particulars regarding external loans and investments appear in Notes 5 and 23 of the Annual Financial Statements, as well as Appendix A.

9 FUNDING OPTIONS OF INVESTMENT PORTFOLIO

The table below shows the allocation of the investment portfolio towards the funding of various obligations:

Allocation of Cash		
Call Deposits		170,000,000
Bank Balances and Cash		27,474,049
		<u>197,474,049</u>
Less: Bank Overdraft		-
		<u>197,474,049</u>
Allocated to:		
Housing Trust Fund	1,946,571	
Capital Replacement Reserve	52,870,044	
Consumer Deposits	12,885,283	
Provisions (current portion):	1,845,860	
Rehabilitation of Landfill sites	1,145,860	
Clearing of Alien Vegetation	700,000	
Current portion of defined benefit liability	4,518,076	
Post Retirement benefits	3,325,138	
Long service awards	1,192,938	
Unspent Conditional Grants	19,127,501	
Other Deposits and Other Advance Paymer	32,952,285	
Retentions	16,314,372	
Payments Received in Advance	10,389,928	
Other Deposits	6,247,985	
Non-current Deposit: Pavilion	228,020	
Non-current Provisions - Cash portion	38,262,181	
Post Retirement benefits	8,408,987	
Long service awards	234,024	
Provision for Debtor Impairment	29,619,170	
Portion Accumulated Surplus	32,838,229	197,474,049
		-

The graph below shows the percentage allocation of the investment portfolio towards the funding of various obligations:



10 NON-CURRENT PROVISIONS

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R51 311 321 as at 30 June 2012 (R14 953 492 as at 30 June 2011) and are made up as follows:

Rehabilitation of Landfill Sites	R36 093 955
Clearing of Alien Vegetation	<u>R15 217 366</u>
	<u><u>R51 311 321</u></u>

Refer to Note 6 of the Annual Financial Statements for more detail.

11 EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The Employee benefits liability amounted to R137 081 303 as at 30 June 2012 (R90 838 558 as at 30 June 2011) and is made up as follows:

Post Employment Health Care Benefits	R 128 684 207
Ex-Gratia Gratuities	R 1 465 108
Long Service Awards	<u>R 6 931 988</u>
	<u><u>R 137 081 303</u></u>

Refer to Note 7 of the Annual Financial Statements for more detail.

12 CURRENT LIABILITIES

Current Liabilities are those liabilities of the Municipality due and payable in the short term (less than 12 months). There is no known reason as to why the Municipality would not be able to meet its obligations. Current Liabilities amounted to R123 846 626 as at 30 June 2012 (R168 923 890 as at 30 June 2011) and are made up as follows:

Consumer deposits	Note 9	R 12 885 283
Provisions	Note 10	R 1 845 860
Current portion of Employee benefits	Note 7	R 4 518 076
Payables from Exchange transactions	Note 11	R 82 571 725
Unspent conditional grants and receipts	Note 12	R 19 127 501
Operating Lease Liability	Note 24	R 114 856
Current portion of Finance Lease Liabilities	Note 4	R 658 514
Current portion of Long-term Liabilities	Note 5	<u>R 2 124 810</u>
		<u><u>R123 846 626</u></u>

13 CURRENT ASSETS

Current Assets amounted to R273 316 136 as at 30 June 2012 (R286 864 812 as at 30 June 2011) and is made up as follows:

Inventory	Note 19	R 12 774 448
Trade receivables from Exchange	Note 20	R 33 452 874
Other receivables from Non-Exchange	Note 21	R 21 225 083
Current portion of long-term receivables	Note 17	R 537 605
Assets classified as held for sale	Note 18	R 6 695 640
VAT receivable	Note 13	R 1 035 849
Cash and Cash Equivalents	Note 23	R197 474 049
Operating Lease Assets	Note 24	<u>R 120 588</u>
		<u><u>R273 316 136</u></u>

14 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2011</i>	<i>As at 30 June 2012</i>	<i>Variance</i>
<i>Service debtors:</i>	37 716 426	32 209 702	-14.6%
- <i>Electricity</i>	13 438 837	13 774 484	2.5%
- <i>Water</i>	10 414 688	8 428 338	-19.1%
- <i>Refuse</i>	3 881 775	3 240 412	-16.5%
- <i>Sewerage</i>	9 981 126	6 766 468	-32.2%
<i>Debtback collections</i>	14 453	1 869	-87.1%
<i>Land Sales</i>	4 022	2 547	-36.7%
<i>Housing instalments</i>	590 756	499 884	-15.4%
<i>Housing rentals</i>	238 549	180 536	-24.3%
<i>Other</i>	766 179	558 336	-27.1%
<i>TOTAL</i>	39 330 384	33 452 874	-14.9%

The net balance of Other receivables from Non-Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2011</i>	<i>As at 30 June 2012</i>	<i>Variance</i>
<i>Rates</i>	7 870 678	6 197 092	-21.3%
<i>Accrued Income</i>	4 313 562	3 631 791	-15.8%
<i>Other</i>	9 762 086	11 396 201	16.7%
<i>TOTAL</i>	21 946 327	21 225 083	-3.3%

The Municipality has during the financial year written off bad debts to the amount of R22 303 353.

15 EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Executive Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. I would also like to extend a special word of thanks to all staff who assisted with the collation of year-end information, and specific the staff of the Budget and Treasury Office Without their valuable contributions and assistance these Annual Financial Statements would not have been possible.



HF BOTHA
CHIEF FINANCIAL OFFICER

Date: 31 August 2012

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON MOSSEL BAY MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Mossel Bay Municipality, set out on pages 26 to 104 and 108 to 111, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mossel Bay Municipality at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

8. As disclosed in note 53.1 in the financial statements, contractual claims in respect of court cases that are currently in dispute and being addressed through mediation have been estimated at a maximum liability of R80,9 million.

Restatement of corresponding figures

9. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2012 have been restated for Property Plant and Equipment amounting to R36, 2 million and the Capital Replacement Reserve amounting to R33, 8 million as result of an error discovered during 2012 in the financial statements of Mossel Bay municipality at, and for the year ended, 30 June 2011.

Material losses

10. As disclosed in note 20 to the financial statements, material losses to the amount of R8,9 million were incurred as a result of the write-off of irrecoverable debtors from exchange transactions.
11. As disclosed in note 21 to the financial statements, material losses to the amount of R13,3 million were incurred as a result of the write-off of irrecoverable debtors from non-exchange transactions.

Material impairments

12. As disclosed in note 20 to the financial statements, trade receivables from exchange transactions to the amount of R23, 9 million (42%) was provided for as bad debts.
13. As disclosed in note 39 to the financial statements, material impairments to the amount of R429, 8 million was incurred as a result of the significant decline in the fair value of investment property.

Material under spending of the budget

14. As disclosed in note 44 to the financial statements, with reference to the statement of comparison of budget and actual amount variances, the municipality has materially under spent its capital budget with R34, 1 million (23 %). Of this R11,1 million grant funding relating to various projects was received late which has been rolled over to the 2012/2013 financial year, a further R3 million relating to the Friemersheim infrastructure project from the Department of Housing was not received at all during the year although the amount has been gazetted. The municipality saved on capital projects to the amount of R5 million.

Additional matters

15. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

16. The supplementary information set out on pages 105 to 107 and 112 to 115 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

17. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on predetermined objectives as set out on pages 23 to 56 of the annual report.

19. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

20. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

21. There were no material findings on the report on predetermined objectives concerning the usefulness and reliability of the information.

Additional matter

22. Although no material findings concerning the usefulness and reliability of the performance information were identified in the report on predetermined objectives, I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Material adjustments to the annual performance report

23. Material omissions relating to improvement measures in the annual performance report were identified during the audit, of which all adjustments were corrected by management.

Compliance with laws and regulations

24. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

25. I considered internal control relevant to my audit of the financial statements, report on predetermined objectives and compliance with laws and regulations. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

OTHER REPORTS

Investigations

Investigations in progress

26. Investigations are being conducted against employees of the municipality regarding possible tender irregularities and electricity theft. The investigations were ongoing as at the reporting date.

Investigations completed during the financial year

27. Investigations were conducted by the municipality regarding tender irregularities, copper cable theft and prepaid electricity theft. The amounts was either recovered from the official or handed over to the attorneys for recovery. The officials have been dismissed and are criminally investigated.

Cape Town

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Note	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net assets		1425 970 428	1849 330 942
Housing development fund	2	2 237 678	7 146 355
Reserves	3	52 870 044	58 444 327
Capital replacement reserve		52 870 044	58 444 327
Accumulated surplus		1370 862 707	1783 740 261
Non-current liabilities		218 839 792	107 029 481
Employee benefits	7	137 081 303	90 838 558
Non-current provisions	6	51 311 321	14 953 492
Finance Lease liability	4	1 760 282	521 716
Long-term liabilities	5	28 458 867	495 407
Non-current deposits	8	228 020	220 309
Current liabilities		123 846 626	168 923 890
Consumer deposits	9	12 885 283	11 615 474
Provisions	10	1 845 860	5 577 742
Current portion of Employee benefits	7	4 518 076	3 205 936
Payables from Exchange transactions	11	82 571 725	123 326 568
Unspent conditional grants and receipts	12	19 127 501	23 987 119
VAT Payable	13	-	-
Cash and cash equivalents	23	-	-
Operating Lease Liability	24	114 856	50 991
Current portion of Finance lease liability	4	658 514	993 344
Current portion of long-term liabilities	5	2 124 810	166 718
Total Net Assets and Liabilities		1768 656 846	2125 284 314
ASSETS			
Non-current assets		1495 340 710	1838 419 502
Property, plant and equipment	14	1210 274 436	1121 944 691
Intangible Assets	15	186 532	227 731
Investment Property	16	283 541 201	714 488 638
Long-term receivables	17	1 338 541	1 758 442
Current assets		273 316 136	286 864 812
Inventory	19	12 774 448	16 652 226
Receivables from Exchange transactions	20	33 452 874	39 330 384
Other receivables from non-exchange transactions	21	21 225 083	21 946 327
Current portion of long-term receivables	17	537 605	576 026
Assets classified as held for sale	18	6 695 640	7 030 369
VAT Receivable	13	1 035 849	4 253 692
Cash and Cash equivalents	23	197 474 049	196 971 489
Operating Lease Assets	24	120 588	104 300
Total Assets		1768 656 846	2125 284 314

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

Budget		Note	Actual	
2011 R	2012 R		2012 R	2011 R
REVENUE				
375 739 584	226 140 466		185 133 993	333 473 325
64 646 039	72 069 951		71 386 891	64 540 291
64 646 039	72 069 951	25	71 386 891	64 540 291
307 990 344	148 716 177		108 835 717	265 378 101
221 610 847	62 198 746	27	96 559 456	185 741 742
86 379 497	86 517 431	29	12 276 261	79 636 359
3 103 201	5 354 338		4 911 385	3 554 934
3 103 201	5 354 338		4 911 385	3 554 934
-	-		-	-
399 227 560	467 477 411		470 609 033	390 231 112
2 125 335	1 750 000		1 720 676	2 072 580
325 512 495	379 639 641	26	402 588 187	333 503 898
8 957 097	9 581 717		9 232 307	8 629 948
11 255 312	10 748 600		12 556 435	11 844 967
-	-		-	-
341 243	303 905		291 669	342 303
4 477 114	4 552 907		4 531 520	4 448 112
32 004	43 500		4 570 854	19 920
46 526 960	60 857 141	28	35 117 386	29 369 383
774 967 144	693 617 877		655 743 026	723 704 437
EXPENDITURE				
174 703 130	181 997 810	30	170 615 598	160 528 226
6 458 786	8 289 386	31	7 753 895	6 234 907
10 008 079	12 860 135	32	18 725 706	18 447 599
4 832 300	6 092 145		5 810 207	4 728 181
31 612 567	39 427 622	33	43 162 986	34 191 014
123 551	14 027	33	41 199	19 618
-	2 500 000		38 616 607	3 715 119
37 914 949	45 464 931		40 621 903	28 619 171
850 787	1 700 226	34	1 619 381	695 464
132 395 145	169 271 000	35	167 366 152	141 955 515
26 798 985	30 446 242	36	27 411 007	22 346 405
3 194 096	3 102 757	37	3 018 847	3 134 299
199 837 655	147 902 005	38	122 485 281	159 335 071
108 000	419 150		907 336	935 639
628 838 030	649 487 436		648 156 103	584 886 229
-	1 500 000	39	(430, 947,437)	1 662 150
146 129 114	45 630 441		(423, 360,514)	140 480 358
SURPLUS/(DEFICIT) FOR THE YEAR				
Refer to Appendix D for explanations of variances				

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R
2011				
Balance at 1 July 2010	8 482 344	74 208 578	1381 234 900	1463 925 822
Prior Year Adjustments (Note 40)			210 993 173	210 993 173
Change in accounting policy (Note 41)			-	-
Change in accounting estimate (Note 42)			-	-
Restated Balance at 1 July 2010	8 482 344	74 208 578	1592 228 073	1674 918 995
Surplus/(deficit) for the year			140 480 358	140 480 358
Transfer to CRR		47 415 172	(47 415 172)	-
Proceeds on disposal				-
Contribution from CRR - purchase PPE		(97 000 180)	97 000 180	-
Transfer to FDR Government Grants Reserve			-	-
Transfer to FDR Don. and Public Contr. Reserve			-	-
Transfer to Housing Development Fund	187 048		(187 048)	-
Transfer from Housing Development Fund	(1 523 037)		1 523 037	-
Offsetting of depreciation			-	-
Asset disposals			0	0
Balance at 30 June 2011	7 146 355	24 623 570	1783 629 428	1815 399 353
2012				
Prior Year Adjustments (Note 40)		33 820 756	110 833	33 931 590
Change in accounting policy (Note 41)			-	-
Change in accounting estimate (Note 42)			-	-
Restated balance at beginning of the year	7 146 355	58 444 327	1783 740 261	1849 330 942
Surplus/(deficit) for the year			(423 360 514)	(423 360 514)
Transfer to CRR		63 907 467	(63 907 467)	-
Proceeds on disposal				-
Contribution from CRR - purchase PPE		(69 481 750)	69 481 750	-
Transfer to FDR Government Grants Reserve			-	-
Transfer to FDR Don. and Public Contr. Reserve			-	-
Transfer to Housing Development Fund	104 058		(104 058)	-
Transfer from Housing Development Fund	(5 012 736)		5 012 736	-
Offsetting of depreciation			-	-
Asset disposals			(0)	(0)
Balance at 30 June 2012	2 237 678	52 870 044	1370 862 707	1425 970 428

CASH FLOW STATEMENT**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts:		644 655 586	728 167 206
Ratepayers		485 995 842	405 614 072
Government - Operating		67 410 584	70 042 863
Government - Capital		29 984 570	137 368 784
Other		61 264 590	115 141 487
Payments:		580 612 293	486 677 001
Suppliers		289 219 198	167 368 260
Employees		164 088 124	151 842 607
Other		127 304 971	167 466 135
Cash generated from/(utilised in) operations	45	64 043 293	241 490 205
Interest received		12 394 402	12 187 270
Interest paid		(1 619 381)	(695 464)
Net cash from operating activities		74 818 313	252 982 011
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment		(110 671 497)	(234 104 156)
Proceeds on disposal of Property, Plant & Equipment		3 663 518	(915 718)
(Increase)/decrease in investment properties	16	-	127 195
(Increase)/decrease in long-term receivables	17	597 127	284 325
Net cash from investing activities		(106 410 852)	(234 608 355)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits	9	1 269 810	1 454 175
Proceeds/(repayment) of finance lease liability	4	903 736	(1 531 230)
Proceeds/(repayment) of other long-term liabilities	5	29 921 553	(68 379)
Net cash from financing activities		32 095 098	(145 434)
Net increase / (decrease) in cash and cash equivalents		502 560	18 228 222
Cash and cash equivalents at the beginning of the year		196 971 489	178 743 268
Cash and cash equivalents at the end of the year	23	197 474 049	196 971 489

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 1: Accounting Policy

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless stated otherwise.

1.1 Basis of presentation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 and is summarised below.

The effective standards, in accordance with Directive 5 of the Accounting Standards Board are summarised as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements (as revised in 2010)
GRAP 2	Cash Flow Statements (as revised in 2010)
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
GRAP 4	The Effects of changes in Foreign Exchange Rates (as revised in 2010)
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions (as revised in 2010)
GRAP 10	Financial Reporting in Hyperinflationary Economics (as revised in 2010)
GRAP 11	Construction Contracts (as revised in 2010)
GRAP 12	Inventories (as revised in 2010)
GRAP 13	Leases (as revised in 2010)
GRAP 14	Events after the reporting date (as revised in 2010)
GRAP 16	Investment Property (as revised in 2010)
GRAP 17	Property, Plant and Equipment (as revised in 2010)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
GRAP 100	Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102)	Income Taxes

Reference	Topic
SIC – 21 (AC 421)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements

The Municipality resolved to early adopt the following approved GRAP standards where and effective date has been determined by the Minister of Finance:

Standard	Description	Effective Date
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25	Employee Benefits	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been approved by the Minister of Finance.

Standard	Description	Effective Date
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 103	Heritage Assets	1 April 2012
GRAP 104	Financial Instruments	1 April 2012

The following list of directives, interpretations and guidelines of the Standards of GRAP form part of the GRAP reporting framework:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities

Reference	Topic
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
Guide 1	Guideline on Accounting for Public Private Partnerships

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7 "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.
- in the case of land and buildings a value as determined by a registered valuator.

1.2 Presentation currency

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

1.3 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

1.4 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.5 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6 Standards, Amendments To Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers

1.7 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act (MFMA).

1.8 Presentation of Budget information

GRAP 24 on the presentation of budget information is not yet effective, and the municipality therefor disclose budget information in terms of GRAP 1 paragraph 14 to 18 in the financial statements.

1.9 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects.

1.10 Reserves

1.10.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a decision by the Accounting Officer.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until it is utilised. The cash may only be invested in accordance with the Cash and Investment policy of the Municipality,
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items,
- All cash proceeds from the sale of assets (including the sale of buildings and land) will be transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets,
- All cash proceeds from developers contributions and payments received in respect of buyout of parking areas will be transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets,
- The CRR is reduced and the accumulated surplus/(deficit) credited with an amount equal to the cost price of the asset purchased when the funds are utilised,
- The annual contribution to the CRR is based on the Municipality's need to finance future capital projects. The Integrated Development Plan, the Municipality's ability to raise external funds and the amount of Government grants and subsidies that will be received in future will be taken into account in order to determine the annual contribution to the CRR,
- Annually a contribution equal to the depreciation of that financial year will be contributed from the accumulated surplus to the CRR. The Chief Financial Officer can decide on an increased contribution to the CRR at the closure of the financial records, if sufficient cash surpluses were generated through savings on expenditure or additional income sources during the year,
- The Chief Financial Officer can decide on a lesser contribution amount, but only if the cash income from Interest on Investments and Tariffs did not realise as budgeted for.

1.11 Employee Benefits

(a) *Pension obligations*

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.12 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains

from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

1.13 Leases

1.13.1 The Municipality as Lessee

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.13.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.14 Long-term liabilities (Borrowings)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.15 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.16 Payables from Exchange Transactions

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

1.17 Accrued Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.18 Accrued Annual and Performance bonuses

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

1.19 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability - Unspent conditional grants and receipts. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

1.20 Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.21 Property, Plant and Equipment

1.21.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.21.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.21.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

	Years		Years
Infrastructure		Other	
Roads	2-115	Buildings	5-50
Stormwater	15-100	Specialist vehicles	5-35
Electricity	5-75	Other vehicles	5
Water	2-125	Office equipment	1-10
Sewerage	5-140	Furniture and fittings	2-40
		Computer equipment	2-40
Community		Bins and containers	3-35
		Emergency equipment	15
Recreational Facilities	2-50	Plant and Equipment	2-30
Security	2-30	Landfill sites	15

1.21.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.22 Investment Property

1.22.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.22.2 Subsequent Measurement – Fair Value

Subsequent to initial recognition investment properties are measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.22.3 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.23 Intangible Assets

1.23.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.23.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.23.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives at acquisition of intangible assets. These useful lives can be extended in applying a review of useful lives.

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-5
Other intangible assets	3-30

1.23.4 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.24 Assets classified as held for sale

1.24.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.24.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.25 Impairment of Assets

1.25.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.25.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- depreciated replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. With this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.26 Non-current investments

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period the impairment is identified.

1.27 Inventories

1.27.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.27.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the weighted average method.

1.28 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.29 Cash and Cash Equivalents

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and net of bank overdrafts.

1.30 Revenue Recognition

1.30.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to **electricity and water** are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to **refuse removal** are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from **sewerage and sanitation** for residential and business properties are levied annually based on a fixed tariff.

Rentals are recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the **sale of goods** is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for **agency services** recognised is commission in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

1.30.2 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from **property rates** is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. **Contributed property, plant and equipment** are recognised when such items of property, plant and equipment are brought into use.

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, Act No.56 of 2003, and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Grants, Transfers and Donations

Revenue received from **conditional grants, donations and funding** are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

1.31 Grants and Subsidies paid

The municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- Expect to be repaid in future, and
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

1.32 Changes in accounting policy, estimates and errors

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

1.33 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,

- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.35 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.36 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Executive Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.37 Interest in Joint Venture

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint ventures take many different forms and structures. There are three broad types that meet the definition of a joint venture, namely:

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

Jointly controlled assets

A jointly controlled asset involves joint control and often the joint ownership by the venturers of assets contributed to or acquired for the purpose of the joint venture and dedicated to the purpose of the joint venture, without the establishment of a corporation, partnership or other entity.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

1.38 Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.38.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

1.38.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities

1.38.3 Measurement

Initial Recognition:

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement:

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.38.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.38.5 Derecognition of Financial Instruments

1.38.5.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.38.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.38.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.39 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.40 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after reporting date have been disclosed in the notes to the Annual Financial Statements.

1.41 Significant accounting judgements and estimates

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions above describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Notes 2 – 54: Other Notes to Annual Financial Statements**2. HOUSING DEVELOPMENT FUND**

	2012 R	2011 R
Balance at beginning of the year	7 146 355	8 482 344
Income	104 058	187 048
Land Sales	4 395	51 540
Housing Letting/Selling Scheme Loans	-	-
Interest on investments	99 663	135 508
Housing Debtors	-	-
Less: Expenditure	5 012 736	1 523 037
Funding Capital Projects	-	-
Funding Operating Projects	5 012 736	1 523 037
Total Housing Development Fund assets and liabilities	2 237 678	7 146 355

3. CAPITAL REPLACEMENT RESERVE

Balance at beginning of the year	58 444 327	74 208 578
Income	63 907 467	77 415 172
Land Sales contribution	4 454 025	1 455 279
External Services contribution	1 440 015	3 905 840
Buy-out of Parking areas contribution	13 427	-
Contribution from Operating account	58 000 000	42 054 054
Other	-	30 000 000
Less: Expenditure	69 481 750	93 179 423
Funding Capital Projects	69 481 750	93 179 423
Total Capital Replacement Reserve	52 870 044	58 444 327

The Capital Replacement Reserve is fully funded and invested in financial instruments.

Refer to Note 40.3 for detail regarding the restatement of the previous year balance.

4. FINANCE LEASE LIABILITY

Computers (Rentworks Africa)	1,598,932	560,609
Vehicles (Fleet Africa)	509,056	663,081
Office equipment (Nashua)	310 808	291 369
Sub-total	2,418,796	1,515,059
Less: Current portion transferred to current liabilities	658 514	993 344
Computers (Rentworks Africa)	571 666	640 604
Vehicles (Fleet Africa)	-	267 502
Office equipment (Nashua)	86 848	85 238
Total Finance lease liability	1 760 282	521 716

Finance lease liability:

Finance lease liabilities relate to vehicles and office equipment with lease terms not more than five years. Finance leases bear interest at rates between 11 and 15 percent. Finance lease liabilities are secured over the items of vehicles and office equipment leased.

Obligations under Finance leases:**Finance lease liabilities - Minimum capital lease payments:**

No later than 1 year	571 666	993 344
Later than 1 year and no later than 5 years	1 990 190	590 557
Later than 5 years	-	-
	2 561 856	1 583 900
Future finance charges on finance leases	(143 060)	(68 841)
	2 418 796	1 515 059

The present value of finance lease liabilities is as follows:

No later than 1 year	658 514	993 344
Later than 1 year and no later than 5 years	1 760 282	521 716
Later than 5 years	-	-
	2 418 796	1 515 059

Annual Financial Statement for the year ended 30 June 2012

5. LONG-TERM LIABILITIES

Local registered stock loans
Long-term loan
Annuity loans
Sub-total

2012	2011
R	R
583,677	594,685
30,000,000	-
-	67,440
30 583 677	662 125

Less: Current portion transferred to current liabilities

Local registered stock loans
Long-term loan
Annuity loans

2 124 810	166 718
124 810	99 277
2 000 000	-
-	67 440

Total Other Long-term Liabilities

28 458 867	495 407
------------	---------

Refer to Appendix A for more detail on Long-term liabilities.

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and seven years.

Long-term loan:

The municipality has taken up a R30 million loan from the Development Bank of South Africa to fund the Saltwater Desalination plant constructed in the 2010/11 financial year. This loan bear interest at a floating rate of 8.565%.

Annuity loans:

Annuity loans bear interest at NIL percent. One of these loans was fully redeemed in the 2009/10 financial year and the other was redeemed in the 2012/13 financial year.

6. NON-CURRENT PROVISIONS

Rehabilitation of Landfill sites
Clearing of Alien Vegetation

37 239 815	14 980 660
15 917 366	1 378 832
53 157 181	16 359 492

Less: Transfer to Current Provisions

Rehabilitation of Landfill sites
Clearing of Alien Vegetation

1 845 860	1 406 000
1 145 860	716 000
700 000	690 000

Total Non-Current Provisions

Rehabilitation of Landfill sites
Clearing of Alien Vegetation

51 311 321	14 953 492
36 093 955	14 264 660
15 217 366	688 832

The movement in non-current provisions are reconciled as follows:

30 June 2012

Balance at beginning of year
Contribution to provisions
Reduction in carrying amount of provision
Reversal of unused amounts from current
Transfer to current provision
Balance at end of year

<u>Alien Vegetation</u>	<u>Rehabilitation of Landfill Sites</u>
688 832	14 264 660
15 224 360	22 259 155
4 174	716 000
(700 000)	(1 145 860)
15 217 366	36 093 955

30 June 2011

Balance at beginning of year
Contribution to provisions
Reduction in carrying amount of provision
Reversal of unused amounts from current
Transfer to current provision
Balance at end of year

<u>Alien Vegetation</u>	<u>Rehabilitation of Landfill Sites</u>
1 057 663	260 000
-	14 167 076
(159 390)	-
480 559	553 584
(690 000)	(716 000)
688 832	14 264 660

6.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations of the landfill sites for the rehabilitation of these sites. The provision has been determined by consulting engineers. The payment dates of total closure and rehabilitation are uncertain, but are expected to be between 2014 and 2016.

Annual Financial Statement for the year ended 30 June 2012

6.2 CLEARING OF ALIEN VEGETATION

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

7. EMPLOYEE BENEFITS

	2012 R	2011 R
Post Employment Health Care Benefits	131 842 127	85 538 740
Ex-Gratia Gratuities	1 632 326	1 515 265
Long Service Awards	8 124 926	6 990 489
	<u>141 599 379</u>	<u>94 044 494</u>
Less: Transfer to Current liability	4 518 076	3 205 936
Post Employment Health Care Benefits	3 157 920	2 224 721
Ex-Gratia Gratuities	167 218	165 344
Long Service Awards	1 192 938	815 871
Total Non-Current liability	137 081 303	90 838 558
Post Employment Health Care Benefits	128 684 207	83 314 019
Ex-Gratia Gratuities	1 465 108	1 349 921
Long Service Awards	6 931 988	6 174 618

The movement in Employee benefits are reconciled as follows:

	<u>Post Empl Health care Benefits</u>	<u>Ex-Gratia Gratuities</u>	<u>Long Service Awards</u>
30 June 2012			
Balance at beginning of year (current + non-current)	85 538 740	1 515 265	6 990 489
Contribution to provisions			
Interest Cost	7 341 440	109 456	513 203
Service cost & transitional liability	4 283 229	-	913 759
Benefit payments (Expenditure incurred)	(2 954 246)	(162 909)	(1 105 654)
Actuarial loss / (gain)	37 632 964	170 514	813 129
Transfer to current provision	(3 157 920)	(167 218)	(1 192 938)
Balance at end of year (non-current)	<u>128 684 207</u>	<u>1 465 108</u>	<u>6 931 988</u>
30 June 2011			
Balance at beginning of year (current + non-current)	74 831 909	924 867	6 463 589
Contribution to provisions			
Interest Cost	6 724 378	72 919	534 912
Service cost & transitional liability	3 589 550	-	871 207
Benefit payments (Expenditure incurred)	(2 642 744)	(140 216)	(900 995)
Actuarial loss / (gain)	3 035 647	657 696	21 776
Transfer to current provision	(2 224 721)	(165 344)	(815 871)
Balance at end of year (non-current)	<u>83 314 019</u>	<u>1 349 921</u>	<u>6 174 618</u>

DEFINED BENEFIT PLAN INFORMATION

7.1 POST EMPLOYMENT HEALTH CARE BENEFITS

7.1.1 **Introduction and Statistics used:**

The Municipality provides post retirement medical benefits by funding 70% of the medical aid contributions of retired employees of the Municipality. The subsidy extends to the full premium paid by the retirees, e.e. it not only covers the principal member's premium but also covers 70% of the premiums payable in respect of any eligible dependants of the retired employee. The subsidy is also extended to the spouse and children should the principal member die in service or after retirement.

The Projected Unit Credit Method has been used to value the liabilities. The accrued liability of active members was based on the present value of the potential liability at retirement, adjusted by the ratio of service accrued to the valuation date to total potential service up to age 50.

NOTE: The previous valuation considered total service up to age 60, therefore the increase in the liabilities for current employees.

Annual Financial Statement for the year ended 30 June 2012

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

- In-service members
- In-service non-members
- Continuation members

Total

2012	2011
434	425
400	312
103	100
937	837

The unfunded liability in respect of past service has been estimated as follows:

- In-service members
- In-service non-members
- Continuation members

2012	2011
R	R
74 162 854	41 207 329
6 238 079	2 015 000
51 441 192	42 316 411
131 842 125	85,538,740

Summary of In-service members:

- Number of Principal members
- Number of Eligible non-members
- Proportion Male
- Average age of members
- Average past service
- Average retirement subsidy in today's terms

2012	2011
434	425
400	312
76%	77%
42.5	41.8
7.2	9.6
R 1,815	R 1,272

Summary of Continuation members:

- Number of Principal members
- Proportion Male
- Average age of members
- Average Employer Contribution p.m.

2012	2011
103	100
53.4%	55%
65.1	64.7
R 2,394	R 2,150

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed.

7.1.2 Results of Valuation:
1) Accrued Liability

- In-service members
- In-service non-members
- Continuation members

2012	2011
R'000	R'000
74.163	41.208
6.238	2.015
51.441	42.316

All members

- Total Value of liabilities
- Value of assets

Unfunded Accrued Liability

131.842	85.539
0.000	0.000
131.842	85.539

The total liability has increased by 54.1% or R46.303 million since the last valuation.

The main reasons for this movement are:

In-service members:

- The average eligible in-service employee liability has decreased by 86% over the year due to:
 - Age 50 is the earliest age in-service members qualify for the subsidy, i.e. the benefit becomes fully vested at this age. Previously service up to age 60 was used for the ratio. This change leads to an increase in the liability.
 - The number of in-service employees increased.
 - The average age of in-service members increased.
 - An increase in the average subsidy payable to in-service employees.
 - A change in actuarial assumptions.

The above factors have been partially offset by a decrease in the average past service of in-service employees.

Annual Financial Statement for the year ended 30 June 2012

Continuation members:

The average continuation member liability has increased by 21.6% due to increases in the average subsidy payable to pensioners, increase in number of pensioners and changes in actuarial assumptions.

The above factors have been partially offset by an increase in the average of pensioners.

2) Current-Service and Interest Costs

	2012 R	2011 R
Current-service Cost (In-service members)	4 283 229	3 589 600
Interest Cost (All members)	7 341 440	6 724 400
Total Cost	11 624 669	10 314 000

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	37 632 963	3 035 647
<u>Contribution to Actuarial (Gain)/Loss:</u>		
Basis changes : Decrease in net discount rate	2 393 355	5 362 019
Inclusion of in-service non-members		2 014 738
Benefits paid higher than expected		325 892
Contribution increases higher than assumed	4 720 758	3 149 915
Impact of change to full accrual at age 50	32 563 845	-
Changes to Membership profile different from assumed	(2 044 995)	(7 816 917)
	37 632 963	3 035 647

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
Opening Accrued Liability	62 153 859	74 831 908	85 538 739	131 842 126	146 974 999
Current-service Cost	4 042 131	3 589 550	4 283 230	7 641 905	8 259 142
Interest Cost	5 588 328	6 724 378	7 341 440	10 648 888	11 871 171
Contributions (Benefit payments)	(2 233 539)	(2 642 744)	(2 954 246)	(3 157 920)	(3 375 636)
Total Annual Expense	7 396 920	7 671 184	8 670 424	15 132 873	16 754 677
Actuarial Loss / (Gain)	5 281 129	3 035 647	37 632 963	-	-
Closing Accrued Liability	74 831 908	85 538 739	131 842 126	146 974 999	163 729 676

7.1.3 Key actuarial assumptions used:

1) Key financial assumptions

	2012	2011
i) Rate of interest		
Discount Rate	8.08%	8.71%
Health Care Cost Inflation Rate	6.89%	7.27%
General inflation rate (CPI)	5.39%	5.52%
Net Effective Discount Rate	1.11%	1.35%

GRAP 25 requires that the Municipality's liabilities be discounted with reference to the yield on high quality corporate debt. In South Africa there is not a liquid market in corporate debt and therefore the Actuaries used the gross government R186 long-term bond yield which was equal to 8.08% effective per annum as at 30 June 2012. The valuation interest rate has been used to determine the present value of future benefit payments before and after retirement.

2) Key demographic assumptions

i) Mortality rates

The PA 90-1 ultimate Mortality table was used by the actuaries for post-retirement and the SA 85-90 Mortality table was used for current employment.

ii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

Annual Financial Statement for the year ended 30 June 2012

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

Age	Age	Withdrawal rate
20 - 24	20 - 24	16%
25 - 29	25 - 29	12%
30 - 34	30 - 34	10%
35 - 39	35 - 39	8%
40 - 44	40 - 44	6%
45 - 49	45 - 49	4%
50 - 54	50 - 54	2%
55 and over	55 and over	0%

iv) Other assumptions

It is assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

It is also assumed that 80% of those in-service members who remain on the health care arrangements will be married at retirement. Further, it was assumed that in-service husbands will be four years older than their wives.

An increase of 4% in current subsidies was allowed for to reflect the valuation date being in the middle of the calendar year over which the standard medical aid contribution rates apply.

It is assumed that 10% of in-service non-members will join the scheme by retirement.

7.1.4 The amounts recognised in the Statement of Financial Position are as follows:

	2012 R	2011 R
Present value of fund obligations	131 842 126	85 538 739
Fair value of plan assets	-	-
Unfunded Accrued Liability	131 842 126	85 538 739
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	131 842 126	85 538 739

7.1.5 The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	4 283 229	3 589 550
Interest cost	7 341 440	6 724 378
Actuarial losses/ (gains)	37 632 963	3 035 647
Vested past service cost	-	-
Total included in employee related costs (Note 30) and Actuarial losses	49 257 632	13 349 575

7.1.6 History of Liabilities, Assets and Experience Adjustments

i) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2008 R'000	Year ending 30/06/2009 R'000	Year ending 30/06/2010 R'000	Year ending 30/06/2011 R'000	Year ending 30/06/2012 R'000
Present value of accrued liability	62.958	62.154	74.832	85.539	131.842
Fair Value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (deficit)	(62.958)	(62.154)	(74.832)	(85.539)	(131.842)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ending 30/06/2009 R'000	Year ending 30/06/2010 R'000	Year ending 30/06/2011 R'000	Year ending 30/06/2012 R'000
Plan Liabilities (Gain) / Loss	(3.188)	12.080	(4.667)	2.676
Plan assets	-	-	-	-

7.1.7 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		131.842	
Discount rate increase	+1%	115.114	-12.7%
Discount rate decrease	-1%	152.844	15.9%
Post-retirement mortality	-1 yrs	136.084	3.2%

Annual Financial Statement for the year ended 30 June 2012

Sensitivity Analysis on the service cost for the year ending 30 June 2012:

Assumptions	Change	Total	% Change
Central assumptions		7 641 905	
Discount rate increase	+1%	6 352 426	-16.9%
Discount rate decrease	-1%	9 347 517	22.3%
Post-retirement mortality	-1 yrs	7 862 259	2.9%

7.2 EX-GRATIA GRATUITIES
7.2.1 Introduction and Statistics used:

The Ex-Gratia Gratuities to Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2012, 12 pensioners (12 pensioners as at 30 June 2011) were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

All pensioners receive annually increasing monthly pension amounts until death. Increases are in line with those of the Cape Joint Pension Fund, namely targeting 50% of CPI inflation. There is a 60% contingent pension payable to a spouse upon the pensioner's death.

The contribution rate payable is as follows:

For continuation members, the member contribution is 70% and the Council contribution is 30%. For current employees the contribution rate is 60/40.

Statistics on eligible retirees:

	2012	2011
Number of Pensioners	12	12
Average annual pension (Rand)	14,073	13,779
Pension-weighted average age	72	71

7.2.2 Results of Valuation:
1) Accrued Liability

	2012 R	2011 R
Total Value of liabilities	1 632 326	1 515 265
Value of assets	-	-
Unfunded Accrued Liability	1 632 326	1 515 265

The total liability has increased by 7.7% or R117 061 mainly due to the increase in average pension payable to pensioners. This increase was in part offset by the average age of pensioners increasing and the change in actuarial assumptions.

2) Current-Service and Interest Costs

Total Interest Costs	109 456	72 919
----------------------	----------------	---------------

Actuaries are of opinion that there is no Current-service Cost as there are no in-service members eligible for ex-gratia pension benefits.

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	170 514	657 696
--------------------------------------	----------------	----------------

Contribution to Actuarial (Gain)/Loss:

Basis changes	(51 495)	44 489
Benefits paid higher / (lower) than expected	(1 613)	29 555
Pension increases higher / (lower) than expected	(164)	17 670
Changes to Membership profile different from assumed	223 786	565 982
	170 514	657 696

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
Opening Accrued Liability	899 085	924 867	1 515 265	1 632 326	1 596 951
Current-service Cost	-	-	-	-	-
Interest Cost	75 534	72 919	109 456	131 843	128 986
Benefit payments	(108 749)	(140 216)	(162 909)	(167 218)	(171 641)
Total Annual Expense	(33 215)	(67 297)	(53 453)	(35 375)	(42 655)
Actuarial Loss / (Gain)	58 998	657 696	170 514	-	-
Closing Accrued Liability	924 868	1 515 266	1 632 326	1 596 951	1 554 296

Annual Financial Statement for the year ended 30 June 2012

7.2.3 **Key actuarial assumptions used:**

1) Key financial assumptions

i) Rate of interest

	2012	2011
Discount Rate	8.08%	7.63%
Pension increase rate	2.70%	2.66%
Post retirement discount rate	5.24%	4.84%

GRAP 25 requires that the Municipality's liabilities be discounted with reference to the yield on high quality corporate debt. There is no high quality corporate debt in South Africa and therefore the Actuaries used the effective annual yield on the government R186 long-term bond yield of 8.08% per annum as at 30 June 2012. The valuation interest rate has been used to determine the present value of future benefit payments before and after retirement.

2) Key demographic assumptions

i) Mortality rates

The PA(90) ultimate mortality table down by one year was used by the actuaries.

7.2.4 **The amounts recognised in the Statement of Financial Position are as follows:**

	2012 R	2011 R
Present value of fund obligations	1 632 326	1 515 265
Fair value of plan assets	-	-
Unfunded Accrued Liability	1 632 326	1 515 265
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	1 632 326	1 515 265

7.2.5 **The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	-	-
Interest cost	109 456	72 919
Actuarial losses/ (gains)	170 514	657 696
Vested past service cost	-	-
Total included in employee related costs (Note 30) and Actuarial losses	279 970	730 615

7.2.6 **History of Liabilities, Assets and Experience Adjustments:**

1) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2008	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012
Present value of accrued liability	1 003 461	899 085	924 867	1 515 265	1 632 326
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(1 003 461)	(899 085)	(924 867)	(1 515 265)	(1 632 326)

2) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012
Plan liabilities (Gain) / Loss	11 793	43 673	583 653	223 622
Plan assets	-	-	-	-

7.2.7 **Sensitivity analysis:**

Sensitivity Analysis on the accrued Liability:

Assumptions	Change	Liability	% Change
Central assumptions		1 632 326	
Pension Increase rate	+1%	1 763 301	8%
Pension Increase rate	-1%	1 518 082	-7%
Post-retirement mortality	-1 yr	1 679 553	2.9%

Sensitivity Analysis on the Interest Costs for the year ending 30 June 2012:

Assumptions	Change	Interest cost	% Change
Central assumptions		109 456	
Pension Increase rate	+1%	118 393	8%
Pension Increase rate	-1%	101 494	-7%
Post-retirement mortality	-1 yr	113 258	3%

Annual Financial Statement for the year ended 30 June 2012

7.3 LONG SERVICE AWARDS

7.3.1 Introduction and Statistics used:

The Long Service Awards plan is an other long-term benefit. As at 30 June 2012, 824 employees (817 employees as at 30 June 2011) were eligible for Long Service Awards. The salary weighted average past service is 10 years and the average age is 43.

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The following table describes the benefits awarded:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x annual salary
15	6.0%	15 / 250 x annual salary
20	8.0%	20 / 250 x annual salary
25	10.0%	25 / 250 x annual salary
30	20.3%	(30 / 250 +1/12) x annual salary
35	22.3%	(35 / 250 +1/12) x annual salary
40	24.3%	(40 / 250 +1/12) x annual salary
45	26.3%	(45 / 250 +1/12) x annual salary

Working days awarded are valued at 1/250th of annual salary per day. In the month that each "completed service" milestone is reached, the employee is granted a LSA.

The valuation makes allowance for the minimum benefits mentioned in the South African Local Government Bargaining Council's Collective Agreement on Conditions of Service, which was signed on 4 June 2009 and which sets out minimum benefits for the period 1 June 2009 through 31 December 2012, inclusive.

The Projected Unit Credit Method has been used to value the liabilities.

Statistics on eligible employees:

	2012	2011
Number of eligible employees	824	817
Average annual salary (Rand)	N/A	121,129
Salary-weighted average age	43.3	43.6
Salary-weighted average past service	10.7	10.1

7.3.2 Results of Valuation:

1) Accrued Liability

	2012	2011
	R	R
Total Value of liabilities	8 124 926	6 990 489
Value of assets	-	-
Unfunded Accrued Liability	8 124 926	6 990 489
Average liability per member	9 860	8 556

The total liability has increased by 16.2% or R1 134 437 due to the number of employees increasing, the average service of employees increasing, the average salary increased and the change in actuarial assumptions. This is in part offset by a decrease in the average age of employees.

2) Current-Service and Interest Costs

Current-service Cost	913 759	871 207
Interest Cost	513 203	534 912
Total Cost	1 426 962	1 406 119

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	813 129	21 776
--------------------------------------	----------------	---------------

Contribution to Actuarial (Gain)/Loss:

Basis changes : (Increase)/Decrease in net discount rate	681 662	429 283
Change in Long-service award policy	-	(62 769)
Benefits paid lower than expected	-	-
Salary increases (lower)/higher than assumed	(355 482)	(105 963)
Actual benefit vestings lower than expected	-	(6 180)
Changes to Membership profile different from assumed	486 949	(232 595)
	813 129	21 776

Annual Financial Statement for the year ended 30 June 2012

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
Opening Accrued Liability	5 969 984	6 463 589	6 990 489	8 124 926	8 320 251
Current-service Cost	784 081	871 207	913 759	732 013	778 820
Interest Cost	509 949	534 912	513 203	656 250	672 027
Benefit payments	(716 566)	(900 995)	(1 105 654)	(1 192 938)	(1 287 112)
Total Annual Expense	577 464	505 124	321 308	195 325	163 735
Actuarial Loss / (Gain)	(83 859)	21 776	813 129	-	-
Closing Accrued Liability	6 463 589	6 990 489	8 124 926	8 320 251	8 483 986

7.3.3 Key actuarial assumptions used:

2012 2011

1) Key financial assumptions

i) Rate of interest

Discount rate	8.08%	7.79%
Salary Inflation Rate	6.39%	6.27%
Net Effective Discount Rate	1.58%	1.43%

GRAP 25 requires that the Municipality's liabilities be discounted with reference to the yield on high quality corporate debt. In South Africa there is not a liquid market in corporate debt and therefore the Actuaries used the gross government R186 long-term bond yield which was equal to 8.08% effective per annum as at 30 June 2012. The valuation interest rate has been used to determine the present value of future benefit payments before and after retirement.

The salaries used in the valuation include an assumed increase in July 2012 of 6.29% plus a merit increase in line with the actuarial assumption. The next salary increase was assumed to take place in July 2013.

2) Key demographic assumptions

i) Mortality rates

The SA 85-90 ultimate mortality table was used by the actuaries for current employment.

ii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

Age	Withdrawal rate
20 - 24	16%
25 - 29	12%
30 - 34	10%
35 - 39	8%
40 - 44	6%
45 - 49	4%
50 - 54	2%
55 and over	0%

7.3.4 The amounts recognised in the Statement of Financial Position are as follows:

	2012 R	2011 R
Present value of fund obligations	8 124 926	6 990 489
Fair value of plan assets	-	-
Unfunded Accrued Liability	8 124 926	6 990 489
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	8 124 926	6 990 489

7.3.5 The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	913 759	871 207
Interest cost	513 203	534 912
Actuarial losses/ (gains)	813 129	21 776
Vested past service cost	-	-
Total included in employee related costs (Note 30) and Actuarial losses	2 240 091	1 427 895

Annual Financial Statement for the year ended 30 June 2012

7.3.6 History of Liabilities, Assets and Experience Adjustments:

i) Present value of accrued liability and Fair value of plan assets:

	Year ending 30/06/2008	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012
Present value of accrued liability	4 346 643	5 969 984	6 463 589	6 990 489	8 124 926
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(4 346 643)	(5 969 984)	(6 463 589)	(6 990 489)	(8 124 926)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012
Plan liabilities (Gain) / Loss	1 848 024	95 064	(344 738)	131 466
Plan assets	-	-	-	-

7.3.7 Sensitivity Analysis:

Sensitivity Analysis on the Accrued Liability:

Assumptions	Change	Liability	% Change
Central assumptions		8 124 926	
Discount rate increase	+1%	7 534 406	-7.3%
Discount rate decrease	-1%	8 791 449	8.2%
Average retirement age decrease	-2 yrs	6 911 010	-14.9%
Average retirement age increase	+2 yrs	9 583 451	18%

Sensitivity Analysis on the service cost for the year ending 30 June 2012:

Assumptions	Change	Service cost	% Change
Central assumptions		732 013	
Discount rate increase	+1%	667 122	-8.9%
Discount rate decrease	-1%	805 144	10%
Average retirement age decrease	+2 yrs	839 236	14.6%
Average retirement age increase	-2 yrs	634 056	-13.4%

7.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is a defined benefit plan, whereas the Cape Retirement Fund, the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2011 (30 June 2010) revealed that the fund had an actuarial surplus of R58 935 (RNIL) with a funding level of 98.1% (100%), and is in a sound financial state as at 30 June 2011. The valuation also revealed that the fund had a solvency reserve of RNIL as at 30 June 2011 and R4,9 million as at 30 June 2010.

CAPE RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2011 (30 June 2010) revealed that the pensions account had an actuarial surplus of R72,849 (R1,275) million with a funding level of 116,9% (100,3%), and is in a sound financial position as at 30 June 2011.

SALA PENSION FUND

The fund has been certified in a sound financial position as at 1 July 2006 and has improved to a position where it is now 100% funded. It should be noted that the rule amendments giving effect to the changes as at 1 July 2003 in terms of the previous Scheme of Arrangement have been approved. Although these rule amendments were fully backdated, there is a risk that some benefit payments may still be necessary in terms of the precedent set by the Adjudicator's ruling that a member was underpaid in a specific instance. Provision for this eventuality has been made in the financial account of the Fund. The Council is contributing an additional 2,71% to the fund as from 1 July 2005 effective from July 2003.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

Annual Financial Statement for the year ended 30 June 2012

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 5% by the members and not less than 12% by Council. The last valuation performed for the year ended 30 June 2005, certified that the fund is in a sound financial state.

8. NON-CURRENT DEPOSITS

Santos Pavilion Repair Fund

	2012 R	2011 R
Balance at beginning of year	220 309	212 257
Contributions during the year	-	-
Interest on Investment	7 711	8 052
Expenditure during the year	-	-
	<u>228 020</u>	<u>220 309</u>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 99-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100,000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

9. CONSUMER DEPOSITS

	2012 R	2011 R
Electricity	6 905 084	6 458 070
Water	5 980 199	5 157 403
Total consumer deposits	<u>12 885 283</u>	<u>11 615 474</u>
Guarantees held in lieu of electricity deposits	<u>-</u>	<u>10 000</u>

Guarantees held in lieu of electricity were RNIL for 2012 (R10 000 for 2011) which is included in the total consumer deposits of R12 885 283 in 2012 (R11 615 474 in 2011). No interest accrues on consumer deposits.

10. PROVISIONS (CURRENT PORTION)

Rehabilitation of Landfill sites	1 145 860	716 000
Clearing of Alien Vegetation	700 000	690 000
Pension Fund Investment Shortfall	-	4 171 742
Total Provisions	<u>1 845 860</u>	<u>5 577 742</u>

The movement in current provisions are reconciled as follows:

Rehabilitation of Landfill sites

Balance at beginning of year	716 000	553 584
Transfer from non-current	1 145 860	716 000
Contributions to provisions		
Unused amount reversed to non-current	(716 000)	(553 584)
Expenditure incurred		
Balance at end of year	<u>1 145 860</u>	<u>716 000</u>

Clearing of Alien Vegetation

Balance at beginning of year	690 000	1 700 000
Transfer from non-current	700 000	690 000
Contributions to provisions		
Unused amount reversed to non-current provision	(4 174)	(480 559)
Expenditure incurred	(685 826)	(1 219 441)
Balance at end of year	<u>700 000</u>	<u>690 000</u>

Pension Fund Investment Shortfall

Balance at beginning of year	4 171 742	4 171 742
Transfer from non-current	-	-
Contributions to provisions	-	-
Unused amount reversed to Statement of Financial Performance	(32 159)	-
Expenditure incurred	(4 139 583)	-
Balance at end of year	<u>-</u>	<u>4 171 742</u>

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 6)

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 6)

Annual Financial Statement for the year ended 30 June 2012

Pension Fund Investment Shortfall:

Local authorities associated with the Cape Joint Pension Fund are under an obligation to contribute pro rata to the Fund such a sum as will make up for any shortage between actual earnings and an investment return of 5,5% on all its assets. The Fund's actuary has calculated a shortfall in the investments returns in respect of defined benefits component. Mossel Bay Municipality is liable for a pro rata payment to the Fund and has made a payment to the fund in this regard to the amount of R4 139 583. The unused amount of the provision has been reversed to the Statement of Financial Performance.

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	33 290 965	70 244 372
Payments received in advance	10 389 928	11 040 668
Accrued Expenditure	4 537 950	4 347 807
Performance Bonus accrual	990 295	933 865
Retentions	16 314 372	19 369 089
Staff leave accrual	10 594 338	10 364 065
Other payables	205 892	705 855
Other deposits	6 247 985	6 320 847
Total Payables from exchange transactions	82 571 725	123 326 568

Refer to Note 40.5 for detail regarding the restatement of previous year balance of Trade Payables.

Refer to Note 43.1 for detail regarding the change in comparative figures of Other Payables.

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Performance Bonus accrual:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

Staff Leave Accrual:

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and the total remuneration package of the employee.

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional grants from spheres of government

Provincial Grants (Note 27)
National Grants (Note 27)
Other Government Grants (Note 27)

2012 R	2011 R
16 668 207	20 536 991
16 089 374	13 179 930
578 833	7 329 351
(0)	27 710

11.2 Other conditional receipts

District Municipality
Developers contributions
Public contributions (Note 29)

2 459 293	3 450 128
-	-
-	-
2 459 293	3 450 128

Total unspent conditional grants and receipts

19 127 501	23 987 119
------------	------------

These amounts are invested in a ring-fenced investments until utilised in terms of section 12 of the MFMA.

The comparative amounts have been restated due to a review on the type of grants and the shifting of amounts between National grants, Provincial grants and Public contributions. The total unspent grants remains the same at R23 987 119 as in the 2010/11 Annual Financial Statements.

Refer to Note 27 for reconciliation of Grants & Subsidies and Note 29 for reconciliation of Public Contributions. Also refer to Appendix F for detail per Vote, per Project and Per Grant/contribution.

13. VAT Payable / Receivable

VAT Payable
VAT Receivable
Total VAT Receivable / (Payable)

-	-
1 035 849	4 253 692
1 035 849	4 253 692

VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over SARS.

Refer to Note 43.1 for detail regarding the change in comparative figures of VAT receivable / payable.

Annual Financial Statement for the year ended 30 June 2012

14. PROPERTY, PLANT & EQUIPMENT

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
As at 30 June 2011			
Land	204 762 509	-	204 762 509
Buildings	128 707 019	38 287 553	90 419 466
Infrastructure	883 024 585	148 381 452	734 643 133
Community	77 116 191	20 701 695	56 414 495
Other	74 174 740	38 469 653	35 705 087
Total	1367 785 044	245 840 353	1121 944 691
	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
As at 30 June 2012			
Land	204 142 509	-	204 142 509
Buildings	130 039 810	17 166 202	112 873 608
Infrastructure	971 633 528	215 593 166	756 040 362
Community	81 541 771	23 122 934	58 418 837
Other	109 063 401	30 264 281	78 799 121
Total	1496 421 019	286 146 583	1210 274 436

Refer to Appendix B for detail per department.

Refer to Notes 40.6 and 40.7 for detail regarding the restatement of previous year balances.

Refer to Note 49 for the amount of contractual commitment for the acquisition of PPE. The amount of R20 088 462 for contractual commitments is approved and contracted.

There are no restrictions on title and property, plant and equipment pledged as securities for liabilities.

Included in the Infrastructure cost is an amount of R127 832 541 for the Seawater Desalination Plant which was completed during the year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the Seawater Desalination facility for the following year.

MOSSEL BAY MUNICIPALITY
Annual Financial Statement for the year ended 30 June 2012

73

ANALYSIS OF PPE AS AT 30 JUNE 2012															
	Cost/revaluation							Accumulated depreciation						Carrying value	Budget additions
	Opening balance	Restatements	Under construction	Additions	Reclassify to Non-current assets held	Disposals	Closing balance	Opening balance	Restatements	Additions	Impairment losses	Disposals	Closing balance		
Land & Buildings															
Land	204 762 509	35 000			620 000	35 000	204 142 509	-				-	-	204 142 509	
Buildings	128 707 019	(2 034 272)	1 469 688	1 983 140	-	85 765	130 039 810	38 287 553	(25 460 965)	4 352 239		12 624	17 166 202	112 873 608	
	333 469 528	(1 999 272)	1 469 688	1 983 140	620 000	120 765	334 182 319	38 287 553	(25 460 965)	4 352 239	-	12 624	17 166 202	317 016 117	-
Infrastructure															
Drains	14 750 650	39 930 275	3 178	7 310 495			61 994 598	8 494 461	539 324	1 922 660			10 956 445	51 038 152	
Roads	198 036 064	(54 443 321)	19 203 143	47 129 096			209 924 982	43 145 646	333 157	5 676 512			49 155 316	160 769 666	
Beach improvements	-						-	-					-	-	
Sewerage mains & Purif	125 077 082	(955 441)	1 659 098	19 097 394			144 878 133	37 685 529	773 491	4 495 864			42 954 884	101 923 249	
Electricity mains	145 775 066	(8 389 659)	19 745 844	1 192 375			158 323 626	41 919 449	(45 932)	4 327 866			46 201 383	112 122 243	
Electricity peak load equipm	30 077 817	(13 427 474)	5 058 920	975 998		59 023	22 626 238	2 042 522	231 141	727 606		19 383	2 981 886	19 644 352	
Water purification	241 087 351	(160 966 879)		130 602 443			210 722 914	6 759 606	312 983	4 421 985			11 494 574	199 228 340	
Reservoirs - water	45 899 079	559 956		623 311			47 082 345	16 245 950	(43 565)	752 708			16 955 093	30 127 253	
Water meters	487 138	476 985		587 704			1 551 827	19 869	262 439	77 473			359 781	1 192 046	
Water mains	68 198 372	18 199 397	646 702	10 973 774			98 018 245	27 700 738	516 793	3 143 465			31 360 997	66 657 248	
Other	13 635 967	430 761		2 443 892			16 510 620	627 395	(224 454)	2 769 866			3 172 807	13 337 813	
	883 024 585	(178 585 400)	46 316 885	220 936 481	-	59 023	971 633 528	184 641 165	2 655 379	28 316 005	-	19 383	215 593 166	756 040 362	-
Community assets															
Parks & gardens	7 432 217	(3 519 880)		1 750		200 478	3 713 609	897 241	147 083	165 541		63 863	1 146 002	2 567 606	
Libraries	3 273 141	35 545		140 020			3 448 706	1 045 577	2 986	115 064		-	1 163 627	2 285 079	
Recreation grounds	14 287 032	2 527 627	1 843 595	808 282		224 697	19 241 839	4 564 419	(163 191)	805 791		96 783	5 110 236	14 131 603	
Civic buildings	52 123 801	761 517	2 040 276	243 568		31 545	55 137 618	14 194 459	(131 059)	1 652 371		12 702	15 703 069	39 434 549	
	77 116 191	(195 191)	3 883 871	1 193 621	-	456 720	81 541 771	20 701 696	(144 181)	2 738 768	-	173 349	23 122 934	58 418 837	-
Heritage assets															
Historical buildings	-		-	-		-	-	-		-		-	-	-	-
Painting & art galleries	-		-	-		-	-	-		-		-	-	-	-
	-	-	-	-		-	-	-	-	-		-	-	-	-
Total carried forward	1293 610 304	(180 779 863)	51 670 443	224 113 242	620 000	636 508	1387 357 618	243 630 414	(22 949 768)	35 407 012	-	205 356	255 882 302	1131 475 316	-

MOSSEL BAY MUNICIPALITY
Annual Financial Statement for the year ended 30 June 2012

75

ANALYSIS OF PPE AS AT 30 JUNE 2011															
	Cost/revaluation							Accumulated depreciation						Carrying value	Budget additions
	Opening balance	Restatements	Under construction	Additions	Reclassify to Non-current assets held for sale	Disposals	Closing balance	Opening balance	Restatements	Additions	Impairment losses	Disposals	Closing balance		
Land & Buildings															
Land	301 051 763	(94 808 754)	-	-	1 215 500	265 000	204 762 509	-				-	-	204 762 509	
Buildings	125 832 017		2 034 272	840 730		-	128 707 019	33 603 248	422 165	4 262 140		-	38 287 553	90 419 466	
	426 883 781	(94 808 754)	2 034 272	840 730	1 215 500	265 000	333 469 528	33 603 248	422 165	4 262 140	-	-	38 287 553	295 181 975	-
Infrastructure															
Drains	-		14 366 302	384 348		-	14 750 650	-	7 263 260	1 231 201		-	8 494 461	6 256 189	
Roads	172 879 777		20 796 995	4 359 291		-	198 036 064	46 856 100	(7 221 055)	3 510 601		-	43 145 646	154 890 418	
Beach improvements	-		-	-		-	-	-	-	-		-	-	-	
Sewerage mains & Purif	93 821 644		24 270 649	6 984 788		-	125 077 082	34 751 320	20 491	2 913 718		-	37 685 529	87 391 552	
Electricity mains	127 027 791		12 410 432	6 336 844		-	145 775 066	40 170 133	(1 531 482)	3 280 798		-	41 919 449	103 855 618	
Electricity peak load equipm	9 981 197		14 815 706	5 280 913		-	30 077 817	164 082	1 386 256	492 184		-	2 042 522	28 035 295	
Water purification	65 182 668		175 786 179	118 504		-	241 087 351	8 406 787	(3 940 608)	2 293 427		-	6 759 606	234 327 745	
Reservoirs - water	45 786 757		53 041	59 281		-	45 899 079	15 088 666	347 712	809 571		-	16 245 950	29 653 129	
Water meters	-		240 523	246 615		-	487 138	-	-	19 869		-	19 869	467 269	
Water mains	44 444 479		21 446 317	2 307 577		-	68 198 372	21 828 458	3 794 622	2 077 658		-	27 700 738	40 497 634	
Other	-	335 716	10 478 850	2 821 401		-	13 635 967	-	8 998	618 397		-	627 395	13 008 572	
	559 124 313	335 716	294 664 993	28 899 563	-	-	883 024 585	167 265 546	128 195	17 247 424	-	-	184 641 165	698 383 420	-
Community assets															
Parks & gardens	7 428 695	-	-	3 522		-	7 432 217	1 001 365	(271 834)	167 711		-	897 241	6 534 976	
Libraries	3 273 141	-	-	-		-	3 273 141	922 889	13 260	109 428		-	1 045 577	2 227 564	
Recreation grounds	12 312 618	-	436 243	1 538 171		-	14 287 032	3 521 806	351 799	690 814		-	4 564 419	9 722 613	
Civic buildings	52 123 801	-	-	-		-	52 123 801	12 306 733	150 617	1 737 109		-	14 194 459	37 929 342	
	75 138 254	-	436 243	1 541 694	-	-	77 116 191	17 752 793	243 841	2 705 062	-	-	20 701 695	56 414 495	-
Heritage assets															
Historical buildings	-		-	-		-	-	-		-		-	-	-	-
Painting & art galleries	-		-	-		-	-	-		-		-	-	-	-
	-	-	-	-		-	-	-	-	-		-	-	-	-
Total carried forward	1061 146 347	(94 473 038)	297 135 508	31 281 986	1 215 500	265 000	1293 610 304	218 621 587	794 201	24 214 626	-	-	243 630 414	1049 979 890	-

MOSSEL BAY MUNICIPALITY
Annual Financial Statement for the year ended 30 June 2012

76

ANALYSIS OF PPE AS AT 30 JUNE 2011															
	Cost/revaluation							Accumulated depreciation						Carrying value	Budget additions
	Opening balance	Restatement	Under construction	Additions / Revaluation	Reclassify to Non-current assets held for sale	Disposals	Closing balance	Opening balance	Restatements	Additions	Impairment losses	Disposals	Closing balance		
Total brought forward	1061 146 347	(94 473 038)	297 135 508	31 281 986	1 215 500	265 000	1293 610 304	218 621 587	794 201	24 214 626	-	-	243 630 414	1049 979 890	-
Housing rental stock															
Housing rental 1	-		-	-		-	-	-		-	-	-	-	-	-
Housing rental 2	-		-	-		-	-	-		-	-	-	-	-	-
	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Leased assets (Infrastructure)															
Leased assets (Infrastructure)	6 057 881		-	85 875		945 684	5 198 073	3 539 181	(45 040)	1 285 067		814 561	3 964 648	1 233 425	-
	6 057 881	-	-	85 875	-	945 684	5 198 073	3 539 181	(45 040)	1 285 067	-	814 561	3 964 648	1 233 425	-
Other assets															
Landfill sites	-	813,584	-	14 369 048		-	15 182 632	-	-	76 906		-	76 906	15 105 727	
Office equipment	2 480 342		-	691 978		416 318	2 756 002	1 543 412	(203 060)	412 249		384 114	1 368 486	1 387 516	
Furniture & fittings	30 279 484	132 170	67 282	2 959 305		1 431 394	32 006 848	13 842 599	1 601 415	2 499 017		961 807	16 981 225	15 025 623	
Bins & containers	283 400		-	149 226			432 626	195 588	40 239	30 943		-	266 771	165 855	
Emergency equipment	465 468		-				465 468	57 295	(57 295)	-		-	-	465 468	
Motor vehicles	14 305 690		-	7 435 433		1 659 693	20 081 429	6 349 785	2 618 278	2 725 478		1 228 512	10 465 029	9 616 400	
Fire engines	2 455 019		-				2 455 019	901 116	(267 448)	47 122		-	680 790	1 774 229	
Refuse tankers	1 308 577		-				1 308 577	714 813	1 490 307	538 556		170 887	2 572 788	(1 264 212)	
Computer equipment	1 522 434		-	192 493		626 229	1 088 698	1 113 135	1 142 041	370 632		555 808	2 070 000	(981 302)	
Council regalia	1 980		-				1 980	277	21 987	746		-	23 011	(21 031)	
Conservancy tankers	-		-				-	-	-	-		-	-	-	
Watercraft	-		-				-	-	-	-		-	-	-	
	53 102 394	945 754	67 282	25 797 483	-	4 133 634	75 779 279	24 718 021	6 386 463	6 701 650	-	3 301 128	34 505 005	41 274 274	-
Non PPE															
Investment Properties	413 143 373	305,625,177	-	1 662 150	5 814 869	127 195	714 488 637	-	-	-	-	-	-	714 488 637	-
Intangible Assets	1 170 857	(467 887)	-	70,175.44		343 685	429 461	883 595	(323 951)	19 618	-	216 477	362 785	66 676	
Agricultural Assets	-		-	-		-	-	-		-	-	-	-	-	
	414 314 230	305 157 290	-	1 732 325	5 814 869	470 880	714 918 098	883 595	(323 951)	19 618	-	216 477	362 785	714 555 312	-
Total	1534 620 853	211 630 006	297 202 790	58 897 669	7 030 369	5 815 197	2089 505 753	247 762 384	6 811 673	32 220 961	-	4 332 166	282 462 852	1807 042 901	-

Annual Financial Statement for the year ended 30 June 2012

15. INTANGIBLE ASSETS

	2012 R	2011 R
Carrying values at the beginning of the year	227 731	304 382
Cost	429 461	702 971
Accumulated amortisation	(201 730)	(398 589)
Acquisitions	-	70 175
Disposals		(343 685)
Amortisation	(41 199)	(19 618)
Amortisation written back on disposals		216 477
Carrying values at the end of the year	186 532	227 731
Cost	429 461	429 461
Accumulated amortisation	(242 929)	(201 730)

Refer to Notes 40.7 for detail regarding the restatement of previous year balances.

Intangible assets are initially recognised at cost and are carried at cost less accumulated amortisation and impairments.

Intangible assets have finite useful lives and the estimated remaining useful lives are reviewed at each reporting period.

The amortisation expense is included in the line item "Amortisation - Intangible Assets" (Note 33) in the Statement of Financial Performance.

The municipality does not have any internally generated intangible assets.

16. INVESTMENT PROPERTY

Carrying values at the beginning of the year	714 488 638	718 768 551
Cost	714 488 638	718 768 551
Acquisitions	-	-
Fair Value adjustment	-430,947,437	1,662,150
Disposals	-	-127,195
Reclassified as non-current assets held for sale	-	-5,814,869
Carrying values at the end of the year	283 541 201	714 488 638
Cost	283 541 201	714 488 638
Amounts included in Surplus/Deficit for the year, are as follows:		
Rental Revenue from Investment Property	672 506	685 431
Fair value adjustment	(430 947 437)	1 662 150
Repairs and Maintenance on Cash generating and Non-cash generating property	-	-

At initial recognition, the municipality measures Investment Property at cost and the fair value model is applied to investment property for subsequent measurement. Under the fair value model, Investment Property is carried at its fair value at the reporting date.

The fair value of Investment Property is supported by market evidence.

Revaluations were performed by an independent valuator, Mr CH Badenhorst, of Abathathu Valuers CC, who holds a recognised and relevant qualification. As the valuer are bound to place a fair value on the properties valued, he selected to make use of 3 different methods of valuation practice, namely, Market value, Capitalisation of Property Income and Replacement cost less depreciation.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

17. LONG-TERM RECEIVABLES

Long-term receivables:	2 777 639	3 374 766
Study Loans	133 879	149 782
Land Sales Debtors	27 533	29 193
Public Assistance Loans	273 387	327 577
Housing Selling Scheme Loans	2 342 840	2 868 214
Less: Current portion transferred to current receivables	537 605	576 026
Land Sales Debtors	4 738	4 768
Public Assistance Loans	132 587	99 277
Housing Selling Scheme Loans	400 280	471 980

Annual Financial Statement for the year ended 30 June 2012

Less: Provision for Impairment of long-term receivables
Housing Selling Scheme Loans
Total

2012	2011
901 494	1 040 298
901 494	1 040 298
1 338 541	1 758 442

Reconciliation of Impairment of Long-term receivables

Balance at beginning of year
Contribution to / (Reversal from) provision
Bad Debts written off / recovered
Balance at end of year

1 040 298	1 061 230
(138 804)	(20 932)
-	-
901 494	1 040 298

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa.

A payment percentage of 62.11 % was established and a provision for impairment was made for 37.89%.

No provision for impairment to be recognised for study and public assistance loans.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of between 12% and 15% per annum. The last repayment is in September 2018.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

18. ASSETS CLASSIFIED AS HELD FOR SALE

Carrying values at the beginning of the year
Investment Property
PPE

2012 R	2011 R
7 030 369	7 030 369
5 814 869	5 814 869
1 215 500	1 215 500

Transfers / adjustments - Investment Property
Transfers / adjustments - PPE
Investment Property sold during the year
PPE sold during the year

-	-
620,000	-
-439,729	-
-515,000	-

Carrying values at the end of the year
Investment Property
PPE

6 695 640	7 030 369
5 375 140	5 814 869
1 320 500	1 215 500

Assets classified as held for sale (PPE) refers to certain erven for the mid-income housing group in Arcos avenue and Lelie avenue situated in the area of Great-Brak River. Council's aim is to provide housing to the mid-income group, i.e. people in police and correctional services, teachers and nursing staff. Non-current assets held for sale (Investment Property) relates to a portion of the commonage (Erf 2001) sold to private developers.

19. INVENTORY

Consumable stores - at cost
Maintenance materials - at cost
Meters
Spare parts
Purification Materials
Unsold properties held for resale
Water purification
Total inventory

755 979	734 808
10 510 841	10 078 476
399 807	226 725
10 465	3 446
1 032 336	1 149 986
-	4 079 009
65 020	379 776
12 774 448	16 652 226

Inventory 2011/12 = R12 774 448 (R12 573 218 in 2010/11). Unsold properties held for sale transferred to inventory in 2011/12 = RNIL (R4 079 009 in 2010/11). Total inventory 2011/12 = R12 774 448

No stores inventory was written off for the current and previous financial years.

Unsold properties held for resale to the amount of R4 079 009 was written off during the 11/12 financial year.

Refer to Note 40.1 for detail regarding the restatement of the previous year balance of maintenance materials.

20. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2012	Gross Balances	Provision for Impairment	Net Balance
Service debtors	51 794 499	19 584 796	32 209 702
Electricity	15 599 652	1 825 168	13 774 484
Water	14 502 473	6 074 135	8 428 338
Refuse	5 390 451	2 150 039	3 240 412
Sewerage	16 301 922	9 535 454	6 766 468
Debtpack Collections	3 000 906	2 999 037	1 869
Land Sales	11 346	8 799	2 547
Housing Instalments	1 096 619	596 735	499 884
Housing rentals	280 302	99 766	180 536
Other	1 259 025	700 689	558 336
Total	57 442 696	23 989 822	33 452 874

As at 30 June 2011	50 031 415	12 314 989	37 716 426
Service debtors	14 562 293	1 123 455	13 438 837
Electricity	15 090 059	4 675 371	10 414 688
Water	5 100 041	1 218 266	3 881 775
Refuse	15 279 023	5 297 897	9 981 126
Sewerage	2 469 540	2 455 087	14 453
Debtpack Collections	17 705	13 683	4 022
Land Sales	1 184 119	593 363	590 756
Housing Instalments	285 755	47 206	238 549
Housing rentals	1 641 534	875 355	766 179
Other	55 630 067	16 299 683	39 330 384
Total			

Refer to Note 40.2 for detail regarding the restatement of previous year balance of Other debtors.

	2012	2011
	R	R
Electricity, Water, Refuse and Sewerage): Ageing		
Current (0 -30 days)	24 085 082	23 400 267
31 - 60 Days	1 983 482	1 830 058
61 - 90 Days	1 787 963	1 672 684
91 - 120 Days	1 662 463	1 560 382
121- 365 Days	2 563 222	12 060 619
> 365 Days	19 712 287	9 507 406
Total	51 794 499	50 031 415

Service debtors receivables that are past due as at the end of 2011/12 but not impaired, for less than 30 days is R22 313 590 (2010/11 = R21 785 386) and for more than 30 days is R9 896 112 (2010/11 = R15 931 040).

Debtpack Collections

Current (0 -30 days)	471	5
31 - 60 Days	1 245	8 195
61 - 90 Days	153	6 253
91 - 120 Days	5 916	6 236
121- 365 Days	456 445	1 744 285
> 365 Days	2 536 676	704 566
Total	3 000 906	2 469 540

Debtpack collection receivables that are past due as at the end of 2011/12 but not impaired, for less than 30 days is R471 (2010/11 = R5) and for more than 30 days is R1 398 (2010/11 = R14 448).

Housing Instalments

Current (0 -30 days)	19 335	23 309
31 - 60 Days	6 960	8 615
61 - 90 Days	6 647	8 247
91 - 120 Days	6 602	8 137
121- 365 Days	12 891	88 818
> 365 Days	1 044 184	1 046 993
Total	1 096 619	1 184 119

Housing instalments receivables that are past due as at the end of 2011/12 but not impaired, for less than 30 days is R19 335 (2010/11 = R23 309) and for more than 30 days is R480 549 (2010/11 = R567 447).

Annual Financial Statement for the year ended 30 June 2012

Housing rentals: Ageing

	2012 R	2011 R
Current (0 -30 days)	6 507	7 287
31 - 60 Days	2 204	2 651
61 - 90 Days	2 053	2 416
91 - 120 Days	1 938	2 295
121- 365 Days	3 681	65 152
> 365 Days	263 919	205 955
Total	280 302	285 755

Housing rentals receivables that are past due as at the end of 2011/12 but not impaired, for less than 30 days is R6 507 (2010/11 = R7 287) and for more than 30 days is R174 028 (2010/11 = R231 262).

Other

Current (0 -30 days)	491 438	548 685
31 - 60 Days	49 290	111 229
61 - 90 Days	17 608	106 866
91 - 120 Days	11 811	18 016
121- 365 Days	45 671	261 943
> 365 Days	643 207	594 796
Total	1 259 025	1 641 534

Other receivables that are past due as at the end of 2011/12 but not impaired, for less than 30 days is R491 438 (2010/11 = R548 685) and for more than 30 days is R66 898 (2010/11 = R218 095).

Land Sales

Current (0 -30 days)	852	964
31 - 60 Days	361	402
61 - 90 Days	322	219
91 - 120 Days	174	175
121- 365 Days	272	1 045
> 365 Days	9 365	14 899
Total	11 346	17 705

Land sales receivables that are past due as at the end of 2011/12 but not impaired, for less than 30 days is R852 (2010/11 = R964) and for more than 30 days is R1 695 (2010/11 = R3 058).

Reconciliation of Provision for impairment of receivables

Balance at beginning of year	16 299 683	14 809 990
Contribution to / (Reversal from) provision	16 617 165	13 725 272
Bad Debts written off / recovered	(8 927 026)	(12 235 579)
Balance at end of year	23 989 822	16 299 683

Summary of Receivables by Consumer Classification

Residential	40 230 290	38 024 853
Industrial / Commercial	11 661 229	12 128 083
National / Provincial government	608 048	1 165 050
Payments received in Advance	4 943 129	4 312 081
	57 442 696	55 630 067

21. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other Receivables from Non-Exchange transactions:

Rates	25 952 938	38 065 654
Accrued Income	10 924 947	10 741 070
Government subsidies	3 631 791	4 313 562
Other	5 960 000	-
Recoverable Expenditure	5 436 201	23 011 022
	-	-

Less: Provision for impairment of other receivables

Rates	4 727 855	16 119 328
Other : Operating Balance PAWC (Housing Administration) + Mid-income housing	4 727 855	2 870 392
	-	13 248 936
Total	21 225 083	21 946 327

Refer to Note 43.1 for detail regarding the change in comparative figures of Other Receivables from non-exchange transactions.

Annual Financial Statement for the year ended 30 June 2012

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for impairment. However the "Other Debtors" are individually assessed.

Rates: Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121- 365 Days
> 365 Days
Total

2012	2011
R	R
4 091 564	3 818 338
383 537	388 114
334 272	355 471
305 640	408 853
544 603	3 315 118
5 265 330	2 455 175
10 924 947	10 741 070

Rates receivables that are past due as at the end of 2011/12 but not impaired, for less than 30 days is R3 747 055 (2010/11 = R3 496 834) and for more than 30 days is R2 450 037 (2010/11 = R4 373 844).

Reconciliation of Provision for impairment of other receivables

Balance at beginning of year
Contribution to / (Reversal from) provision
Bad Debts written off / recovered
Balance at end of year

16 119 328	11 597 504
1 984 854	4 700 663
(13 376 327)	(178 840)
4 727 855	16 119 328

Summary of Rates by Consumer Classification

Residential
Industrial / Commercial
National / Provincial government
Payments received in Advance

8 060 210	7 371 984
2 033 299	2 181 711
514 002	1 006 925
317 436	180 450
10 924 947	10 741 070

22. INVESTMENTS

Long-term Deposits : Other bodies
Less: Payment to other bodies
Short-term Investment deposits
Less: Current portion maturing within next 12 months - refer note 23

4 636 881	2 283 318
(4 636 881)	(2 283 318)
170 000 000	165 000 000
(170 000 000)	(165 000 000)
-	-

No investments were written off during the year.

The average rate of return on Investments were 5.96% for the year ended 30 June 2012.

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- That council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:
 - short-term investments (0 - 12 months) only institutions with a National credit rating of F1 and higher be used
 - long-term investments (more than 12 months) only institutions with a National credit rating of AA or higher be used
- Not more than 50% of the total investments invested with one institution

Long-term Deposits: Other bodies (Group Schemes)

These deposits are Group Scheme funds of employees that is paid over to the Municipality, who then invests these funds in the name of the employee in Money market funds. It therefor has no impact on the Municipality's Statement of Financial Position.

23. CASH AND CASH EQUIVALENTS

Assets

Petty Cash
Bank balances
Short-term Investment deposits
Total cash and cash equivalents - Assets

18 660	18 660
27 455 389	31 952 829
170 000 000	165 000 000
197 474 049	196 971 489

Liabilities

Bank overdraft (as per Cash book balance)
Total cash and cash equivalents - Liabilities

-	-
-	-

The municipality has the following bank accounts:

BANK ACCOUNT

Primary Bank Account - NEDBANK DEPOSIT ACCOUNT
Secondary Bank Account - NEDBANK CHECQUE ACCOUNT

Account Numbers

1626566909	51 022 930	29 697 695
1626566917	-	-
	51 022 930	29 697 695

Annual Financial Statement for the year ended 30 June 2012

	2012 R	2011 R
Bank statement balance at beginning of year	29 697 695	8 269 246
Bank statement balance at end of year	51 022 930	29 697 695
Cash book balance at beginning of year	31 952 829	(8 270 712)
Cash book balance at end of year	27 455 389	31 952 829
Petty Cash / Float at beginning of year	18 660	13 980
Petty Cash / Float at end of year	18 660	18 660
INVESTMENTS: Current portion matures within next 12 months - Refer Note 22	170 000 000	165 000 000

All accounts are with NEDBANK. The balance of account no. 1626566917 - cheque account, is swept to the main account - Primary bank account no. 1626566909

Refer to Note 40.4 for detail regarding the restatement of previous year cash book balance.

24. OPERATING LEASES

The Municipality as lessee

Operating leases relate to Buildings with lease terms of between one to five years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:

Balance at beginning of year	50,991	110,907
Movement for the year	63,866	(59,916)
Total Operating Lease Liabilities - as lessee	114 856	50 991

The following payments have been recognised as an expenditure in the Statement of Financial Performance:

Lease payments	1,253,584	1,038,310
Total Operating Lease payments - as lessee	1 253 584	1 038 310

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

Buildings		
Up to 1 year	858,358	1 253 584
1 to 5 years	933,274	2 042 407
More than 5 years	-	-
Total Operating Lease arrangements - as lessee	1 791 631	3 295 991

The Municipality as lessor

Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to forty years. The lessee does not have an option to purchase the property at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following assets have been recognised in the Statement of Financial Position:

Balance at beginning of year	104,300	107,717
Movement for the year	16,288	(3,417)
Total Operating Lease Assets - as lessor	120 588	104 300

The following receipts have been recognised as an income in the Statement of Financial Performance:

Lease income	672,506	685,431
Total Operating Lease income - as lessor	672 506	685 431

Annual Financial Statement for the year ended 30 June 2012

At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

	2012	2011
	R	R
Investment Property		
Up to 1 year	615,394	669,737
1 to 5 years	991,853	1,092,206
More than 5 years	1,054,724	562,122
Total Operating Lease arrangements - as lessor	2 661 970	2 324 065

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

25. PROPERTY RATES

Actual

Residential	59 893 347	51 113 555
Commercial	12 801 501	11 935 628
Vleesbaai	347 137	305 919
Accommodation Establishments	(7 781)	1 557 419
State	260 017	496 021
Building Clause	12 705	11 520
Assessment Rate: Letting	1 386	1 438
Public service infrastructure	39 804	47 909
Agricultural	689 238	621 935
Agricultural Business	162 678	161 470
Less: Income forgone	(2 813 141)	(1 712 524)
Total assessment rates	71 386 891	64 540 291

Valuations

	July 2012	July 2011
Residential	25 748 901 700	24 791 887 982
Commercial	2 768 056 900	2 714 895 000
State	473 881 600	385 549 918
Municipal	579 690 400	621 390 100
Building Clause	5 357 940	5 391 940
Accommodation Establishments	231 411 800	492 500 700
Agricultural Business	50 332 000	51 592 000
Vleesbaai	495 873 100	491 589 600
Assessment Rate: Letting	-	-
Public service infrastructure	45 160 100	21 345 000
Agricultural	1 190 122 100	1 215 644 100
Total property valuations	31 588 787 640	30 791 786 340

The valuation of land takes place every four years in terms of the determinations of the new Ordinance on Property Valuation, 1993. The basic rate for land and buildings ranged between R0,000589 and R0,004711 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R4 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

26. SERVICE CHARGES

Sale of electricity	235 581 334	192 893 765
Sale of water	79 848 693	61 680 538
Refuse removal	35 166 863	31 434 045
Sewerage & sanitation charges	51 991 296	47 495 551
Total service charges	402 588 187	333 503 898

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs.

27. GOVERNMENT GRANTS AND SUBSIDIES

Unconditional grants

Equitable share	36,969,949	34,232,731
	36 969 949	34 232 731

Conditional grants

National Government Grants	59 589 507	151 509 011
Provincial Government Grants	23 700 797	119 246 103
Main Road Subsidy - Provincial	35 251 439	28 389 367
Other Grants	11 200	-
	626 071	3 873 540
Total Government Grants & Subsidies	96 559 456	185 741 742

Annual Financial Statement for the year ended 30 June 2012

27.1 Summary of Government Grants & Subsidies

Capital Government Grants & Subsidies
Operating Government Grants & Subsidies
Total

2012	2011
R	R
33 240 145	122 567 334
63 319 311	63 174 408
96 559 456	185 741 742

27.2 Equitable Share

Balance unspent at beginning of year
Current year receipts
Adjustments / VAT
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities (see note 12)

-	-
31 009 949	34 232 731
5 960 000	-
(36 969 949)	(34 232 731)
-	-

An amount of R5 960 000 of the Equitable share was withheld during the financial year.

27.3 National Government Grants

Balance unspent at beginning of year
Current year receipts
Adjustments / VAT
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities (see note 12)

7 329 351	9 184 777
20 183 000	117 455 845
(3 232 721)	(65 167)
(23 700 797)	(119 246 103)
578 833	7 329 351

Mossel Bay Municipality received various grants from National Government for operational and capital projects, such as the Energy Efficiency and Demand Side Management project. National Grants also include MIG, FMG and MSIG funding. Other than the amounts unspent, the conditions of the grants have been met.

27.4 Provincial Government Grants

Balance unspent at beginning of year
Current year receipts
Adjustments / VAT
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities (see note 12)

13 179 930	4 343 178
42 966 396	37 528 913
(4 805 513)	(302 793)
(35 251 439)	(28 389 367)
16 089 374	13 179 930

Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Human Settlements grant, Thusong centre, Library services, PTIG, Finance Management Support Grant, Expanded public works programme and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met.

27.5 Main Roads Subsidy

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities (see note 12)

-	-
11 200	-
(11 200)	-
-	-

27.6 Other Grants

Balance unspent at beginning of year
Current year receipts
Adjustments / VAT
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities (see note 12)

27 710	192 400
409 211	3 270 985
189 151	437 865
(626 071)	(3 873 540)
-	27 710

The Municipality received various other grants for operational projects, such as funds for Integration rural settlements, Home Owners education and LGSETA funds. Other than the amounts unspent, the conditions of the grants have been met. The only funds delayed at 30 June 2012 was R189 151 from LGSETA.

27.7 Government Grants and Subsidies - SPENT PER VOTE

Municipal Manager
Corporate Services
Financial Services
Technical Services
Community Services
Electricity Services
Development & Planning
Total Spent

-	-
4 617 921	1 864 402
1 233 576	1 172 037
16 905 987	103 920 584
2 554 692	821 651
5 986 604	14 885 594
28 290 727	28 844 742
59 589 507	151 509 011

Annual Financial Statement for the year ended 30 June 2012

28. OTHER INCOME

	2012	2011
	R	R
Building Plan Fees	2 633 372	2 113 889
Availability Fees (Services)	15 021 084	13 937 560
Land Usage Fees	517 717	393 904
Contributions from External Services	1 440 015	3 905 840
Contributions from Land Sales	23 895	2 117
Insurance Claims	375 808	1 101 330
Collection costs recovered	2 642 895	3 330 435
Other	12 462 599	4 584 309
Total other income	35 117 386	29 369 383

Refer to Note 40.2 for detail regarding the restatement of previous year balance.

29. PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE

District Municipality	-	1 861 936
Developers Contributions	-	-
Public Contributions	9 935 509	76 081 236
Donated and Contributed PPE	330 585	30 000
Connection Fees	2 010 167	1 663 187
Other	-	-
Total public contributions	12 276 261	79 636 359

29.1 Summary of Public contributions

Capital Public contributions, Donated and contributed PPE	4 471 993	77 590 456
Operating Public contributions	7 804 269	2 045 903
Total	12 276 261	79 636 359

29.2 District Municipality

Balance unspent at beginning of year	(0)	-
Current year receipts	-	1 861 936
Adjustments	-	-
Conditions met - transferred to revenue	-	(1 861 936)
Conditions still to be met - transferred to liabilities (see note 12)	(0)	(0)

29.3 Developers Contributions

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 12)	-	-

29.4 Public Contributions

Balance unspent at beginning of year	3 450 129	33 164
Current year receipts	8 589 163	74 709 861
Adjustments	355 511	4 788 339
Conditions met - transferred to revenue	(9 935 509)	(76 081 236)
Conditions still to be met - transferred to liabilities (see note 12)	2 459 294	3 450 129

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable. The above Public Contributions receipts includes an amount of R2,5 million for PetroSA's portion of the payment to approved contractors, consultants and/or other service providers under cover of appropriate invoices. The only funds delayed at 30 June 2012 was R355 511 from PetroSA.

29.5 Donated and Contributed Property, Plant and Equipment

Balance unspent at beginning of year	-	-
Current year receipts	330 585	30 000
Adjustments	-	-
Conditions met - transferred to revenue	(330 585)	(30 000)
Conditions still to be met - transferred to liabilities (see note 12)	-	-

The Municipality received Donated PPE from various private funders. Other than the amounts unspent the conditions of the contributions have been met.

Annual Financial Statement for the year ended 30 June 2012

	2012	2011
	R	R
29.6 Public contributions, Donated and Contributed PPE - PER VOTE		
Municipal Manager	117 446	96 456
Corporate Services	302 784	20 000
Financial Services	-	-
Technical Services	7 625 654	78 304 298
Community Services	2 814 505	296 260
Electricity Services	1 415 872	919 346
Development & Planning	-	-
Total Spent	12 276 261	79 636 359

30. EMPLOYEE RELATED COSTS

Employee-related costs - Salaries, Wages & Bonuses	105 125 591	97 995 368
Employee-related costs - Contributions for UIF, pensions & medical aids	24 342 775	22 620 643
Contributions to Post Retirement Benefits Provision	11 734 125	10 386 847
Contributions to Long Service Bonus Provision	1 426 962	1 406 119
Contributions to Leave Gratuity Provision	1 165 908	3 166 703
Travel, motor car, accommodation, subsistence & other allowances	12 207 425	9 805 013
Housing benefits & allowances	908 968	892 131
Overtime payments	6 787 982	8 361 923
Executive packages	7 177 553	6 772 318
Less: Employee costs capitalised and to other operating maintenance	(261 692)	(878 839)
Total employee-related costs	170 615 598	160 528 226

REMUNERATION OF KEY MANAGEMENT PERSONNEL:

Remuneration of the Municipal Manager

Annual remuneration	1 007 227	943 008
Performance bonuses	185 090	174 481
Car allowance	132 000	132 000
Contributions to UIF, Medical & Pension Funds	182 795	171 239
Group Insurance	-	-
Industrial Council	49	49
Total	1 507 161	1 420 777

Remuneration of the Chief Financial Officer

Annual remuneration	876 302	793 748
Performance bonuses	162 396	153 088
Car allowance	48 000	48 000
Contributions to UIF, Medical & Pension Funds	151 663	160 016
Group Insurance	6 624	6 624
Industrial Council	49	49
Total	1 245 034	1 161 525

Remuneration of executive directors

	<u>Technical + Electricity</u>	<u>Dev planning</u>	<u>Corporate</u>	<u>Community</u>
30 June 2012	<u>Services</u>	<u>& Housing</u>	<u>Services</u>	<u>Services</u>
Annual remuneration	801 041	907 828	628 328	697 026
Performance bonuses	151 810	134 195	125 251	140 420
Acting allowance	-	-	-	-
Car allowance	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Funds	174 644	50 661	140 825	124 435
Group Insurance	6 624	-	5 447	6 624
Industrial Council	49	49	49	49
Total	1 236 168	1 092 734	1 019 900	1 076 555

Remuneration of executive directors

	<u>Technical</u>	<u>Electricity</u>	<u>Dev planning</u>	<u>Corporate</u>	<u>Community</u>
30 June 2011	<u>Services</u>	<u>Services</u>	<u>& Housing</u>	<u>Services</u>	<u>Services</u>
Annual remuneration	53 261	746 723	858 703	583 953	654 254
Performance bonuses	(51 398)	143 109	126 504	118 072	132 372
Acting allowance	-	-	-	-	-
Car allowance	9 493	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Func	13 464	159 068	44 847	133 923	113 553
Group Insurance	1 219	6 624	-	5 447	6 624
Industrial Council	4	49	49	49	49
Total	26 042	1 157 573	1 030 104	961 444	1 014 852

Annual Financial Statement for the year ended 30 June 2012

31. REMUNERATION OF COUNCILLORS

	2012	2011
	R	R
Executive Mayor	570 876	541 677
Executive Deputy Mayor	460 468	437 374
Speaker	508 356	428 275
Mayoral Committee members	2 239 886	1 319 662
Councillors	3 645 279	3 038 049
Councillors' pension contributions	283 528	419 862
Councillors' medical contributions	38 880	48 960
Travel Cost in Excess of 500km	6 621	1 049
Total Councillors' remuneration	7 753 895	6 234 907

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes. Ward Committee members are equipped with cell phones for communication purposes.

Certification by Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Municipal Manager

32. IMPAIRMENT COSTS

Contribution to Provision for Impairment:

	18 725 706	18 447 599
- Rates	1 984 854	1 259 071
- Electricity	1 007 342	444 707
- Water	4 612 572	4 125 198
- Refuse	2 002 691	1 300 059
- Sewerage	7 455 295	6 276 163
- Collection fees	1 142 785	1 417 584
- Housing Instalments	335 646	-
- Housing rentals	184 522	-
- Land sales	-	-
- Sundry Debtors	-	183 225
- Long-term receivables	-	-
- Other receivables	-	3 441 592
Bad Debts : Services	-	-
Total impairment costs	18 725 706	18 447 599

33. DEPRECIATION AND AMORTISATION EXPENSE

Depreciation:

Property, Plant and Equipment	43 162 986	34 191 014
-------------------------------	------------	------------

Amortisation:

Intangible Assets	41 199	19 618
Total Depreciation and Amortisation costs	43 204 185	34 210 632

Refer to Notes 40.7 for detail regarding the restatement of previous year balances.

34. FINANCE COSTS

Finance Leases	330 201	286 159
Long-term Liabilities	961 029	99 277
Other interest paid	328 150	310 028
Total interest	1 619 381	695 464

Annual Financial Statement for the year ended 30 June 2012

35. BULK PURCHASES

	2012 R	2011 R
Electricity	159 226 667	125 374 428
Water	8 139 484	16 581 088
Total bulk purchases	167 366 152	141 955 515

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers. The municipality purchases electricity in bulk from Eskom and then redistributes it to consumers. The municipality has some of its own water sources, but also purchases water in bulk from the Department of Water Affairs and Forestry.

36. CONTRACTED SERVICES

Account Print	359 423	430 302
AMR System	251 380	271 300
Beautification of CBD	37 641	-
Cash Transit	175 628	186 889
Cleansing Services	957 847	2 080 776
Cut of Grass	4 520 168	3 875 403
Gardening Services	118 173	64 022
Info System Maintenance	175 670	184 542
Internal Auditors	826 435	815 464
Life Saving	929 337	889 345
Meter Readings	1 036 188	911 735
Prepaid System	5 300 522	4 062 861
Refuse Recycling	87 845	80 525
Refuse Removal	3 553 026	3 163 944
Reverse Osmosis Plant	3 679 978	2 499 734
Sanitation Services	765 197	1 021 921
Security Services	810 355	1 246 669
Transport Co.	180 328	137 597
Additional Valuations	126 348	241 510
Washing Linen	37 537	36 595
Concessionary Fees- Indigent	176 876	145 272
Desalination plant	3 305 104	-
Total Contracted services	27 411 007	22 346 405

37. GRANTS AND SUBSIDIES PAID

Grant in Aid (Assessment Rates)	-	-
Grant in Aid (Services)	2 140 627	2 243 596
Subsidy: Benefit Discount Scheme	299 705	330 864
SPCA	563 514	536 839
Other Donations	15 000	23 000
Total grants & subsidies	3 018 847	3 134 299

Other Donations:

During 2011/12 Other Donations were made to the amount of R15 000, whereas an amount of R23 000 was donated during 2010/11. The R15000 was a donation to Eden District municipality for the development of a Coastal Management Plan.

38. GENERAL EXPENSES

Audit Fees - External Auditors	2 748 465	2 552 686
Bank Charges	2 070 034	2 005 560
Conferences & Seminars	75 206	47 017
Consultant Fees	1 192 590	1 695 999
Contract Work	5 154 939	3 997 160
Contributions to Alien Vegetation Provision	15 224 360	-
Contributions to Rehabilitation of Landfill sites Provision	-	-
Desalination Plant	2 889 551	64 010 540
Entertainment - Public	84 826	38 963
Fuel & Oil	5 218 814	4 216 197
Hire Charges	78 239	102 003
Housing: Top Structures	20 310 079	21 340 779
Industrial & Tourism - Sect. 21 Co	2 705 832	2 605 518
Insurance	2 366 295	2 144 653
Inventory Items	191 399	372 527
Houses for resale-Written off	4 079 009	699 630
Lease Charges	1 320 329	977 342
Legal Costs	2 299 396	1 429 215
Levy - Bargaining Council	45 627	39 143

Annual Financial Statement for the year ended 30 June 2012

Levy - Skills Development (SETA)	1 351 792	1 226 680
Levy - Water : DWAF	176 198	280 620
Levy-Water Catchment Man:DWAF	534 861	538 463
Licence Fees	308 714	298 246
Materials and Stores	7 546 481	7 872 889
Public Functions	233 103	172 971
Refuse Tip Site - External	2 186 997	2 006 864
Relief / Charitable Expenses	108 674	76 456
Transfer to Equitable Share	25 818 676	26 010 870
Telephones and Communications	1 207 187	1 374 545
Travelling & Subsistence	466 784	434 672
Water Rural Areas	17 213	117 590
Other	15 327 206	11 368 170
Less:	(853 597)	(718 896)
Stores handling charges	-	-
Vehicle and Equipment Recoveries	(2 875)	(264)
Departmental Costs	-	-
Recoverable Expenditure	(850 721)	(718 632)
	<u>122 485 281</u>	<u>159 335 071</u>

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable. The above Desalination Plant expenditure amount of R2 889 551 is for PetroSA's portion of the payment to approved contractors, consultants and/or other service providers under cover of appropriate invoices.

39. FAIR VALUE ADJUSTMENTS

Investment property:

- Fair Value adjusted downwards
- Fair Value adjusted upwards

Total Fair Value adjustments

2012	2011
R	R
465 719 032	-
(34 771 595)	(1 662 150)
<u>430 947 437</u>	<u>(1 662 150)</u>

40. PRIOR YEAR ADJUSTMENTS

40.1 Maintenance materials (Refer Note 19 - Inventory)

During the year maintenance material located at stores was taken up as inventory.

Changes to Notes to Annual Financial Statements:

Inventory (Note 19)

Balance at 30 June 2011 on 2010/11 Financial Statements
Correction to Inventory
Restated balance of Inventory as at 30 June 2011

14 312 940
2 339 286
16 652 226

The Inventory and the Accumulated surplus for 2010/11 is adjusted accordingly.

40.2 Sundry Debtors (Refer Note 20 - Other) + Other income (Refer Note 28 - Other)

The tariff for dumping of builders rubble has been removed for the 2011/12 financial year due to the closure of the Alhof Drive waste site. Coupons bought in the 2010/11 financial year was returned to the municipality for credit to their debtors account.

Changes to Notes to Annual Financial Statements:

Receivables from Exchange transactions - Other (Note 20)

Balance at 30 June 2011 on 2010/11 Financial Statements
Correction to Sundry Debtors
Restated balance of Other under receivables from Exchange transactions as at 30 June 2011

766 780
(601)
766 179

Other income - Other (Note 28)

Balance at 30 June 2011 on 2010/11 Financial Statements
Correction to Dumping of Building Rubble income (refer note 40.4)
Correction to Dumping of Building Rubble income
Restated balance of Other under Other income as at 30 June 2011

4 585 750
(840)
(601)
4 584 309

The Receivables from Exchange transactions and the Accumulated surplus for 2010/11 is adjusted accordingly.

Annual Financial Statement for the year ended 30 June 2012

40.3 Capital Replacement Reserve (Refer Note 3 - CRR)

The municipality has funded an amount of R30 million for the Seawater desalination plant in the 2010/11 financial year from the CRR. Council however approved this project to be financed from an external loan. Therefor this amount was restated in 2011/12 financial year from the cash portion of the accumulated surplus account to rectify the 2010/11 financial statements in respect of the Capital Replacement Reserve.

During prior financial years expenditure on Professional fees under Capital votes was incorrectly capitalised and funded out of the Capital Replacement Reserve.

Changes to Notes to Annual Financial Statements:

Capital Replacement Reserve (Note 3)

	2012 R	2011 R
Balance at 30 June 2011 on 2010/11 Financial Statements		24 623 570
Transfer of R30m to CRR out of surplus account		30 000 000
Reversal of Professional fees incorrectly capitalised and funded out of CRR		3 820 756
Restated balance of Capital Replacement Reserve as at 30 June 2011		<u>58 444 327</u>

The Capital Replacement Reserve and the Accumulated surplus for 2010/11 is adjusted accordingly.

40.4 Cash book balance (Refer Note 23 - Cash and Cash Equivalents)

The tariff for dumping of builders rubble has been removed for the 2011/12 financial year due to the closure of the Alhof Drive waste site. Coupons bought in the 2010/11 financial year was return to the municipality for payment.

Changes to Notes to Annual Financial Statements:

Cash and Cash equivalents (Note 23)

Balance at 30 June 2011 on 2010/11 Financial Statements	196 972 329
Refund of coupons for dumping of builders rubble	(840)
Restated balance of Cash and Cash equivalents as at 30 June 2011	<u>196 971 489</u>

The Cash and Cash equivalents and the Accumulated surplus for 2010/11 is adjusted accordingly.

40.5 Trade payables (Refer Note 11 - Payables from exchange transactions)

Correction on prior year WCA payments to the Compensation commissioner.

Changes to Notes to Annual Financial Statements:

Payables from exchange transactions (Note 11)

Balance at 30 June 2011 on 2010/11 Financial Statements	125 396 496
Correction of payment to Compensation commissioner	15 526
Restated balance of Payables from exchange transactions as at 30 June 2011	<u>125 412 021</u>

The Payables from exchange transactions and the Accumulated surplus for 2010/11 is adjusted accordingly.

40.6 Cost of Other PPE (Refer Note 14 - Property, Plant and Equipment)

During prior financial years expenditure on Professional fees under Capital votes was incorrectly capitalised and funded out of the Capital Replacement Reserve.

Changes to Notes to Annual Financial Statements:

Other PPE (Note 14)

Balance at 30 June 2011 on 2010/11 Financial Statements	42 847 699
Reversal of Professional fees incorrectly capitalised to operating account	(3 820 756)
Reversal of Professional fees incorrectly capitalised to operating account	(2 981 855)
Restated balance of Other PPE as at 30 June 2011	<u>36 045 087</u>

The Property, Plant and Equipment and the Accumulated surplus for 2010/11 is adjusted accordingly.

Annual Financial Statement for the year ended 30 June 2012

40.7 Correction of Assets (Refer Note 14 - Property, Plant and Equipment + Note 15 - Intangible Assets)

Various prior year adjustments was made to Accumulated Depreciation due to residual value changes, the effect of buildings proportioning, the effect of Work-in-progress completed in prior years and the changes in useful lives of assets.

2012	2011
R	R

Changes to Notes to Annual Financial Statements:

Property, Plant & Equipment - Accumulated Depreciation (Note 14)

Balance at 30 June 2011 on 2010/11 Financial Statements	282 100 067
Useful lives change to depreciation	(10 084 287)
Residual value changes to depreciation	(3 671 882)
Effect of buildings proportioning	(25 460 965)
Effect of WIP completed in prior years	2 957 422
Restated balance of Accumulated Depreciation as at 30 June 2011	<u>245 840 353</u>

Intangible assets - Accumulated amortisation (Note 15)

Balance at 30 June 2010 on 2010/11 Financial Statements	559 644
Useful lives change to depreciation	(161 055)
Restated balance of Accumulated Amortisation as at 30 June 2010	<u>398 589</u>

The Accumulated Depreciation, Accumulated Amortisation and the Accumulated surplus for 2010/11 is adjusted accordingly.

40.8 Land - PPE (Refer Note 14)

Removal of Erf 255/11 from Municipal asset register, as property is not owned by Municipality.

Changes to Notes to Annual Financial Statements:

Land - PPE (Note 14)

Balance at 30 June 2010 on 2010/11 Financial Statements	204 911 528
Removal of Erf from asset register	(149 019)
Restated balance of Land under Property, Plant & Equipment as at 30 June 2010	<u>204 762 509</u>

The Property, Plant & Equipment and the Accumulated surplus for the years prior to 2010/11 is adjusted accordingly.

40.9 Provision for Landfill sites (Refer Note 6 and note 14)

Adjustment of prior year Provision for Landfill sites to exclude Louis Fourie waste site. No burial of waste takes place on this site, therefor no rehabilitation will be required in future but the mere practice of waste removal will occur to ensure that the land is cleared of waste material, which is considered to be maintenance.

Changes to Notes to Annual Financial Statements:

Non-current Provision (Note 6)

Balance at 30 June 2010 on 2010/11 Financial Statements	15 320 660
Adjustment of Provision to remove incorrect provision for Louis Fourie waste site	(340 000)
Restated balance of Non-current Provisions as at 30 June 2010	<u>14 980 660</u>

Other PPE (Note 14)

Balance at 30 June 2010 on 2010/11 Financial Statements	74 514 740
Adjustment of Provision to remove incorrect provision for Louis Fourie waste site	(340 000)
Restated balance of Other PPE as at 30 June 2010	<u>74 174 740</u>

The Non-current Provisions, Other PPE and the Accumulated surplus for the years prior to 2010/11 is adjusted accordingly.

Annual Financial Statement for the year ended 30 June 2012

40.10 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:

During the year various prior year adjustments was made to the Statement of Financial Position. The following is a summary of all the movements in the prior year balances:

Changes to Net assets and Liabilities:

Balance as at 30 June 2011 (as stated in the 2010/11 Annual Financial Statements): 2095 902 785

Net assets:

	31 791 457
Capital Replacement Reserve (Refer note 40.3)	33 820 756
Accumulated surplus / (deficit)	(2 029 299)

Non-Current Liabilities:

	(340,000)
Provision for Landfill sites (Refer note 40.9)	(340 000)

Current Liabilities:

	15 526
Trade Payables (Refer note 40.5)	15 526

Restated balance of Net assets and Liabilities as at 30 June 2011	2127 369 768
--	---------------------

Changes to Assets:

Balance as at 30 June 2011 (as stated in the 2010/11 Annual Financial Statements): 2095 902 785

Non-current Assets:

	29 129 138
Property, plant and equipment - Other PPE (Refer note 40.6)	(6 802 611)
Intangible assets - Accumulated Amortisation (Refer note 40.7)	161 055
Property, plant and equipment - Accumulated Depreciation (Refer note 40.7)	36 259 713
Property, plant and equipment - Other PPE (Refer note 40.9)	(340 000)
Land - PPE (Refer note 40.8)	(149 019)

Current Assets:

	2 337 845
Inventory (Refer note 40.1)	2 339 286
Receivables from Exchange transactions (Refer note 40.2)	(601)
Cash and Cash equivalents (Refer note 40.4)	(840)

Restated balance of Assets as at 30 June 2011	2127 369 768
--	---------------------

40.11 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE:

During the year various prior year adjustments was made to the Statement of Financial Performance. The following is a summary of all the movements in the prior year balances:

Surplus for the 2010/11 financial year (as stated in 2010/11 Annual Financial Statements): 142 471 471

Revenue adjustments:

	(1,441)
Other income (Refer note 40.2)	(1 441)

Expenditure adjustments:

	1 989 673
Depreciation correction (Refer note 40.7)	1 989 673

Restated Surplus for the 2010/11 financial year	140 480 358
--	--------------------

Annual Financial Statement for the year ended 30 June 2012

40.12 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:

During the year various prior year adjustments was made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the prior year balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

	2012 R	2011 R
<u>Changes to Accumulated Surplus:</u>		
Balance as at 30 June 2011 (as stated in the 2010/11 Annual Financial Statements):		1785 769 560
Inventory (Refer note 40.1)		2 339 286
Receivables from Exchange transactions (Refer note 40.2)		(601)
Capital Replacement Reserve (Refer note 40.3)		(33 820 756)
Cash and Cash equivalents (Refer note 40.4)		(840)
Payables from exchange transactions (Refer note 40.5)		(15 526)
Other PPE (Refer note 40.6)		(6 802 611)
PPE (Refer note 40.7)		36 259 713
Intangible assets (Refer note 40.7)		161 055
Provision for Landfill sites (Refer note 40.9)		(340 000)
Property, plant and equipment - Land (Refer note 40.8)		(149 019)
Property, plant and equipment - Other PPE (Refer note 40.9)		340 000
Restated balance of Accumulated Surplus as at 30 June 2011		1783 740 261
<u>Changes to Capital Replacement Reserve:</u>		
Balance as at 30 June 2011 (as stated in the 2010/11 Annual Financial Statements):		24 623 570
Transfer of R30m loan funds to CRR (Refer note 40.3)		30 000 000
Reversal of Professional fees incorrectly capitalised and funded out of CRR (Refer note 40.3)		3 820 756
Restated balance of Capital Replacement Reserve as at 30 June 2011		58 444 327
<u>Changes to Housing Development Fund:</u>		
Balance as at 30 June 2011 (as stated in the 2010/11 Annual Financial Statements):		7 146 355
Restated balance of Housing Development Fund as at 30 June 2011		7 146 355

41. CHANGE IN ACCOUNTING POLICY

No adjustments due to changes in the accounting policy occurred during the current financial year.

42. CHANGE IN ACCOUNTING ESTIMATES

42.1 Post employment health care benefits (Refer Note 7.1.2 - Employee Benefits)

The Projected Unit Credit method has been used to value this liability. The accrued liability of active members was based on the present value of the potential liability at retirement, adjusted by the ratio of service accrued to the valuation date to total potential service up to age 50. The previous valuation considered total potential service up to age 60. The age of 50 is used for the straight line recognition of the actuarial liability. Previously the age of 60 was also used for the straight line recognition.

Changes to Notes to Annual Financial Statements:

Post employment health care benefits (Note 7.1.2)

Impact of change to full accrual at age 50 (part of actuarial loss recognised)	32 563 845
Total	32 563 845

The above change has been recognised in the Statement of Financial Performance under the Actuarial loss.

43. RESTATEMENT OF COMPARATIVE INFORMATION

43.1 VAT receivable / payable provisions and accruals (Refer Note 13, 11 and 21)

The provisions and accruals with regards to VAT entries have previously been disclosed as either an other debtor or an other creditor. These provisions and accruals are now disclosed under the note on VAT receivable / payable in terms of the GRAP guide topic 1.13 VAT.

Changes to Notes to Annual Financial Statements:

VAT receivable / payable (Note 13)

Balance at 30 June 2011 on 2010/11 Financial Statements

VAT provisions / accruals from Other Creditors

VAT provisions / accruals from Other Debtors

Restated balance of VAT receivable / payable as at 30 June 2011

2012

R

2011

R

2 966 366

(2 085 454)

3 372 780

4 253 692

Payables from exchange transactions (Note 11)

Balance at 30 June 2011 on 2010/11 Financial Statements

VAT provisions / accruals to VAT receivable/payable

Restated balance of Payables from exchange transactions as at 30 June 2011

125 412 021

(2 085 454)

123 326 568

Other Debtors (Note 21)

Balance at 30 June 2011 on 2010/11 Financial Statements

VAT provisions / accruals to VAT receivable/payable

Restated balance of Other debtors as at 30 June 2011

26 383 803

(3 372 780)

23 011 022

The balances of VAT receivable / payable, Payables from exchange transactions and Other receivables from non-exchange transactions has been adjusted accordingly in the Statement of Financial Position.

44. COMPARISON WITH BUDGET

Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:

Net surplus/(deficit) per the statement of financial performance

(423 360 514)

Adjusted for:

- Actuarial Loss

38 616 607

- Impairment and Fair value adjustment of Investment property

429 854 037

- Contribution to provisions not budgeted for

15 224 360

Net surplus/(deficit) after adjustments

60 334 490

Net surplus/(deficit) as per approved budget

45 630 441

Variance to be explained (refer to Annexure D for detail)

(14 704 049)

Expenditure per VOTE:

Municipal Manager & Executive Council

Budget:

59,590,657

Actuals:

545 331 189

Variance:

(485 740 532)

Corporate Services

20,831,026

18 702 774

2 128 252

Financial Services

27,492,393

24 549 260

2 943 133

Technical Services

151,039,003

147 206 833

3 832 170

Community Services

120,996,112

125 553 093

(4 556 981)

Electricity Services

208,130,713

205 107 107

3 023 606

Development and Planning

61,407,532

47 424 878

13 982 654

649,487,436

1,113,875,135

(464,387,699)

The reason for the over expenditure of R485,7m for Executive Council & MM is as follows:

- The actuarial report for the valuation of Post Employment Health Care benefits indicated an actuarial loss of R38 million.

- During the valuation of Investment property certain properties was impaired. This impairment amounted to R465,7 million.

The reason for the over expenditure of R4,6m for Community services is as follows:

- The provision for Clearing of Alien Vegetation increased with R15 million after taking into account all areas where alien vegetation needs to be removed in the greater Mossel Bay area.

- It must be noted that all the above entries are non-cash transaction.

Annual Financial Statement for the year ended 30 June 2012

45. CASH GENERATED BY OPERATIONS

	2012 R	2011 R
Surplus / (Deficit) for the year	(423 360 514)	140 480 358
Adjustment for:		
Depreciation and Amortisation	43 204 185	34 210 632
Gain and loss on disposal of property, plant and equipment	(3 663 518)	915 718
Fair Value adjustment	430 947 437	(1 662 150)
Contributions to provisions (non-current)	19,939,829	6 818 153
Contributions to provisions (current)	1 886 004	4 100 569
Actuarial loss	38 616 607	3 715 119
Actuarial gains	-	-
Contributions to debt impairment provision	18 463 214	18 405 003
Bad Debts written off	(22 303 353)	(12 414 419)
Interest on Investments Income	(12 848 103)	(12 187 270)
Interest on Unamortised discounts	-	-
Operating Lease Income	(16 288)	3 417
Operating Lease Expenses	63 866	(59 916)
Finance costs	1 619 381	695 464
Operating surplus before working capital changes:	92 548 747	183 020 680
(Increase) / Decrease in inventories	3 877 778	(1 965 398)
(Increase) / Decrease in receivables from exchange transactions	(1 812 629)	(4 736 397)
(Increase) / Decrease in receivables from non-exchange transactions	12 112 716	10 233 700
(Decrease) / Increase in unspent conditional grants & receipts	(4 859 618)	10 233 601
Increase / (Decrease) in VAT payable/receivable	3 217 843	(3 993 559)
Increase / (Decrease) in Payables from exchange transactions	(41 041 545)	48 697 579
Cash generated by operations	64 043 293	241 490 205

46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Finance lease liability (see note 4)	2 418 796	1 515 059
Other Long-term liabilities (see note 5)	30 583 677	662 125
Used to finance PPE - at cost	-	-
Sub-total	<u>33 002 473</u>	<u>2 177 184</u>

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 23).

47. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

47.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	464 387 699	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	<u>464 387 699</u>	<u>-</u>

During the year the municipality's total expenditure was more than its budget.

The reason for the over expenditure of R464,4m is as follows:

- The actuarial report for the valuation of Post Employment Health Care benefits indicated an actuarial loss of R38 million.
- During the valuation of Investment property certain properties was impaired. This impairment amounted to R465,7 million.
- The provision for Clearing of Alien Vegetation increased with R15 million after taking into account all areas where alien vegetation needs to be removed in the greater Mossel Bay area.

- It must also be noted that all the above entries are non-cash transaction. If all non-cash transactions are taken into consideration the Municipality underspent its budget with R1 331 333.

Refer to the Review of the Year and the Executive summary of this report for further detail.

Annual Financial Statement for the year ended 30 June 2012

47.2 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance

Irregular expenditure current year

Condoned or written off by Council

Recovered

To be recovered - contingent asset

Irregular expenditure awaiting condonement

2012

R

2011

R

-

-

757 308

-

(747 703)

-

(9 605)

-

-

-

2012

Incident	Disciplinary steps/criminal proceedings
Tender irregularities - R9 605 provisionally recovered	In process to open criminal proceedings
Tender not advertised for minimum period	Deviation approved in terms of SCM policy

2011

Incident	Disciplinary steps/criminal proceedings
None	

47.3 Fruitless & wasteful expenditure

Reconciliation of Fruitless & Wasteful expenditure

Opening balance

Fruitless & Wasteful expenditure current year

Recovered

Condoned or written off by Council

Transfer to receivables for recovery - not condoned

Fruitless and wasteful expenditure awaiting condonement

-

-

-

-

-

-

-

-

-

-

-

-

48. ADDITIONAL DISCLOSURES i.t.o THE MFMA

48.1 Contributions to SALGA

Opening balance

Council subscriptions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in Payables from exchange transactions)

-

-

848 008

828 425

(848 008)

(828 425)

-

-

-

-

48.2 Audit fees

External Audit Fees

Opening balance

Current year audit fee

Amount paid - current year

Amount paid - previous years

Balance recoverable (included in Payables from exchange transactions)

-

(5 731)

2 748 465

2 558 417

(2 748 465)

(2 552 686)

-

-

-

-

Internal Audit Fees

Opening balance

Current year audit fee

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in Payables from exchange transactions)

-

-

826 435

815 464

(826 435)

(815 464)

-

-

-

-

48.3 VAT

Vat receivable / (payable)

1 035 849

4 253 692

All VAT returns have been submitted by the due date throughout the year.

48.4 PAYE and UIF

Opening balance

Current year payroll deductions

Amount paid - current year

Amount paid - previous years

Balance recoverable (included in Payables from exchange transactions)

(0)

(2,762)

20 416 550

20 622 088

(20 416 550)

(20 619 326)

-

-

(0)

(0)

48.5 Pension, Provident and medical aid contributions, Group insurance

Opening balance

Current year payroll deductions and council contributions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in Payables from exchange transactions)

-

-

39 793 830

36 951 145

(39 793 830)

(36 951 145)

-

-

(0)

-

Annual Financial Statement for the year ended 30 June 2012

48.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June for more than 90 days:

	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
30 June 2012			
R Skombingo	298	-	298
Total Councillor Arrear Consumer Accounts	298	-	298
30 June 2011			
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-

During the year the following councillors had arrear accounts outstanding for more than 90 days:

	<u>Month</u>	<u>Highest Amount Outstanding R</u>	<u>Ageing</u>
1 July 2011 to 30 June 2012			
R Skombingo	July 2011 to June 2012	298	90+ days
1 July 2010 to 30 June 2011			
S Moodie	September 2010	86	90+ days
R Skombingo	November 2010	1 180	90+ days
J Booyens	September 2010	51	90+ days
SA Mapisa	August 2010	260	90+ days
VB Jacobs	April 2011	202	90+ days

48.7 Non-compliance with Chapter 11 of the MFMA

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

CLOSED QUOTATIONS / TENDERS:

MONTH	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	Above R200 000
July 2011	313 950	427 299	161 089	287 532	540 360
Aug 2011	429 035	502 899	178 441	222 008	879 209
Sep 2011	367 178	553 218	437 613	-	453 713
Oct 2011	226 891	67 419	114 112	-	237 509
Nov 2011	380 212	373 507	208 972	560 696	213 207
Dec 2011	312 709	173 625	67 306	132 534	-
Jan 2012	346 097	212 667	54 799	-	-
Feb 2012	275 870	85 302	194 651	308 275	-
Mar 2012	226 132	126 195	240 889	-	-
Apr 2012	219 560	313 262	232 346	311 440	-
May 2012	247 362	102 478	178 376	-	-
Jun 2012	163 212	169 646	-	123 535	243 207
Grand Total	3 508 207	3 107 516	2 068 594	1 946 019	2 567 205

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved Supply Chain Management Policy.

48.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS

	2012 R	2011 R
Levy Department of Water Affairs and Forestry : Water	176 198	280 620
Levy Department of Water Affairs and Forestry : Water Catchment Management	534 861	538 463
Skills Development Levy	1 351 792	1 226 680
Levy Bargaining Council	45 627	39 143

48.9 MATERIAL LOSSES

Electricity distribution losses

- Units purchased (kWh)	289,287,923	285,600,053
- Units lost during distribution (kWh)	17,234,906	17,485,110
- Percentage lost during distribution	5.96%	6.12%

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), Faulty meters, Theft and Vandalism.

Water distribution losses

- Mega litres purified	6,808	5,302
- Mega litres lost during distribution	621	839
- Percentage lost during distribution	9.12%	15.83%

These losses are due to defective meters, Losses on water network (breakage in pipelines and pumps, leaking valves, etc.), Evaporation, Theft, Vandalism and damages due to blind excavations.

49. CONTRACTUAL COMMITMENTS

Commitments in respect of capital expenditure:

-approved and contracted for

Infrastructure

Community

Other

-approved, but not yet contracted

Infrastructure

Community

Other

TOTAL

This expenditure will be financed from:

-Capital replacement reserve

-Government grants

-Other

2012	2011
R	R
19 423 441	14 375 000
10 280 042	11 535 000
6 623 971	1 060 000
2 519 428	1 780 000
52 119 512	12 695 000
20 925 021	9 434 000
50 000	-
31 144 491	3 261 000
71 542 953	27 070 000
32 974 000	19 006 000
37 839 620	8 064 000
729 333	-
71 542 953	27 070 000

50. RELATED PARTIES

Parties are considered to be related if:

- One party has the ability to control the other party or

- Exercise significant influence over the other party in making financial and operating decisions.

50.1 Related Party Transactions

Year ended 30 June 2012

Councillors

Municipal Manager and Section 57 Personnel

Municipal Entities

Year ended 30 June 2011

Councillors

Municipal Manager and Section 57 Personnel

Municipal Entities

Rates and service charges	Outstanding balances
R	R
198 011	298
70 105	-
-	-
154 043	-
65 657	-
-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

50.2 Joint Venture - Jointly controlled asset

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.

Refer to notes 14, 29.4 and 38 for more detail on these transactions.

50.3 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

Loans that were granted prior to this date, together with the conditions, are disclosed in note 17 to the Annual Financial Statements.

50.4 Compensation of key management personnel

The compensation of key management personnel is set out in note 30.

50.5 Other related party transactions

No contracts were awarded to key management personnel/councillors or their close family members during the year under review.

Annual Financial Statement for the year ended 30 June 2012

The following is a summary of awards above R2 000 made either to persons in the service of the state or to spouses, children or parents of anybody in the service of the state.

QUOTATIONS:

QUOTATION	AWARDED TO	TOTAL	RELATION
Hire of Machinery	Marracon (Pty) Ltd	R1 324 705	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Impounding of livestock and Demolishing of illegal structures	Steph Peterson Holdings	R224 025	The wife of Mr Peterson (the owner of Steph Peterson Holdings) is an employee at Mossel Bay Municipality.
Supply of Printer cartridges	Global Ink	R52 903	The owner of Cartridge Warehouse is the son of an employee at Mossel Bay Municipality.
Emergency replacement of sewer lines	A2 Loodgieters	R587 040	The wife of the owner is employed by the Department of Correctional services.
Computer training for unemployed youth	Leanco Business Services and Training Centre CC	R57 000	The owner of Leanco Business Services and Training Centre CC is married to a councillor at George Municipality.
Catering	Frileine Groenewald	R22 597	The daughter of Ms Groenewald (owner) is an employee at Mossel Bay Municipality.
Catering	Li-Kie Caterers	R15 880	The husband of Ms Zwegelaar (owner) is an employee at Mossel Bay Municipality.
Valuation of Investment Property	Abathathu Valuers	R16 667	The owner is the cousin of an employee of Mossel Bay Municipality.

TENDERS:

TENDER	DATE	AWARDED TO	AMOUNT	RELATION
Tender 23/2011: Supply and delivery of bricks, sand, gravel and stone	01/08/2011	Marracon (Pty) Ltd	Various rates	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 48/2011: Delivery and Hire of Machines and Trucks	01/08/2011	Marracon (Pty) Ltd	Various rates	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 39/2012: Construction of a sewer line and auxiliary works in Impala Road, Rheebokrif.	24/10/2012	A2 / Mabungwe JV	R690 532,03	A2 / Mabungwe JV declared that the spouse and father of a director of one of the JV partners, Mabungwe Civils, are employed by the Department of Correctional Services.
Tender 83/2011: Mossel Bay: Reebokrif: Construction Of The Sewerage Pump Station P32, Rising Main And Auxiliary Works	16/01/2012	Mabungwe Civils	R6 133 582	Mabungwe Civils declared that the spouse and father of a director of one of the JV partners, Mabungwe Civils, are employed by the Department of Correctional Services.
9/2012: Construction of Civil Engineering Services For Thusong Neighbourhood Centre, Kwanonqaba, Mossel Bay	19/03/2012	Autumn Skies 187 CC	R2 039 464,22	Autumn Skies 187 CC declared: A daughter of the members, Ms L Maksella, is an Accountant at George Municipality. Another daughter of the members, Ms A Maksella is a Police Officer in Oudtshoorn.
Tender 17/2012: Supply and delivery of bricks, sand, gravel and stone	23/04/2012	L Ferreira	Various rates	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 39/2012: Patching of potholes	04/06/2012	Autumn Skies 187 CC	Various rates	Autumn Skies 187 CC declared: A daughter of the members, Ms L Maksella, is an Accountant at George Municipality. Another daughter of the members, Ms A Maksella is a Police Officer in Oudtshoorn.

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

51. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument		2012	2011
		R	R
Long term receivables		2 777 639	3 374 766
Receivables from Exchange transactions		57 442 696	55 630 067
Other Receivables from Non-Exchange transactions		21 225 083	21 946 327
Cash and Cash Equivalents		197 474 049	196 971 489
Maximum credit and interest rate risk exposure		278 919 467	277 922 649

52. FINANCIAL INSTRUMENTS

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

SUMMARY OF FINANCIAL ASSETS**Short-term Investment Deposits:**

Short-term Investment Deposits	At amortised cost	170 000 000	165 000 000
--------------------------------	-------------------	-------------	-------------

Bank Balances and Cash:

Bank Balances	At amortised cost	27 455 389	31 952 829
Petty cash and advances	At amortised cost	18 660	18 660

Long-term Receivables:

Study Loans	At amortised cost	133 879	149 782
Land Sales Debtors	At amortised cost	27 533	29 193
Public Assistance Loans	At amortised cost	273 387	327 577
Housing Selling Scheme Loans	At amortised cost	2 342 840	2 868 214

Annual Financial Statement for the year ended 30 June 2012

		2012 R	2011 R
Receivables from Exchange transactions:			
Service debtors	At amortised cost	32 209 702	37 716 426
Debtback Collections	At amortised cost	1 869	14 453
Land Sales	At amortised cost	2 547	4 022
Housing Instalments	At amortised cost	499 884	590 756
Housing rentals	At amortised cost	180 536	238 549
Sundry Debtors	At amortised cost	558 336	766 179
Other Receivables from Non-Exchange transactions:			
Rates	At amortised cost	6 197 092	7 870 678
Accrued Income	At amortised cost	3 631 791	4 313 562
Government subsidies	At amortised cost	5 960 000	-
Other	At amortised cost	5 436 201	9 762 087
Total Financial Assets		254 929 646	261 622 966
SUMMARY OF FINANCIAL LIABILITIES			
Long term liabilities:			
Local registered stock loans	At amortised cost	458 867	495 407
Long term loan		28 000 000	-
Annuity loans	At amortised cost	-	(0)
Lease liability:			
Finance lease liability	At amortised cost	1 760 282	521 716
Payables from exchange transactions:			
Trade and Other Payables	At amortised cost	67 391 471	118 898 990
Unspent conditional grants and receipts:			
Unspent conditional grants and receipts	At amortised cost	19 127 501	23 987 119
Cash and Cash Equivalents:			
Bank Overdraft	At amortised cost	-	-
Current portion of long term liabilities:			
Local registered stock loans	At amortised cost	124 810	99 277
Long term loan		2 000 000	-
Annuity loans	At amortised cost	-	67 440
Current portion of Lease liability:			
Finance lease liability	At amortised cost	658 514	993 344
Total Financial Liabilities		119 521 444	145 063 293

The following methods and assumptions are used to determine the fair value / amortised cost of each class of financial instrument:

Cash and Cash Equivalents

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables

The carrying amount of trade and other receivables (net of provision for impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

Annual Financial Statement for the year ended 30 June 2012

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Increase in interest rates

The estimated increase in basis points

Financial Assets

Financial Liabilities

Net effect on surplus (Financial Assets minus Financial Liabilities)

	2012	2011
	1%	1%
	R	R
	2 549 296	2 616 230
	1 195 214	1 450 633
	<u>1 354 082</u>	<u>1 165 597</u>

53. CONTINGENT LIABILITIES / ASSETS

53.1 Contractual disputes

Below is a list of possible liability claims where the outcome was unknown at 30 June 2012 with the maximum unforeseen liability for the Municipality:

- Allandale and others v Mossel Bay Municipality: This is a claim for flood damages to the amount of R14 million.
- Stonetrade Trust v Mossel Bay Municipality: This is a claim with regards to Mid-income housing to the amount of R60 million.
- Belstow v Mossel Bay Municipality: This is a claim with regards to the cancellation of contract for Traffic cameras to the amount of R6 679 587.75
- SALA Pension Fund v Various municipalities: This is a claim to the amount of R307 349.43

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009, that is estimated to be an amount of R183 312.

53.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R91 984, and council has a right to recovery.

53.3 Contingent Assets

The municipality is currently busy with criminal proceedings against a former employee who was accused of stealing Electricity. An amount of R14 235.07 was referred to an attorney for the recovery of the loss.

54. EVENTS AFTER THE REPORTING DATE

54.1 To the best of knowledge there is no events after the reporting date to be mentioned.

Note 55: Implication of standards approved but not yet effective:

Std. no.	Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 18	Segment reporting	Entire standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix B, C, D and E.</p>

GRAP 24	Presentation of Budget Information in the Financial Statements	Entire Standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to budgeted information are met.</p> <p>Budgeted information is currently disclosed under Appendix D and E and statement of financial performance.</p> <p>A note comparing the budget and the actual surplus/deficit is also included in the Notes to the Annual Financial Statements.</p> <p>Additional disclosure notes should however be disclosed to comply with GRAP 24.</p>
GRAP 105	Transfers of Functions Between Entities under Common Control	Entire Standard	N	Not applicable to Mossel Bay Municipality at this stage.
GRAP 106	Transfers of Functions Between Entities Not under Common Control	Entire Standard	N	Not applicable to Mossel Bay Municipality at this stage.
GRAP 107	Mergers	Entire Standard	N	Not applicable to Mossel Bay Municipality at this stage.

APPENDICES

Appendix A : Schedule of External Loans

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012										
External loans	Institution	Loan number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Unamortised discount on loans	Balance at 30 June 2012	Carrying value of PPE	Other costs in accordance with the MFMA
STOCK LOANS				R	R	R		R	R	R
Stock loan @ 15.00%	Hartenbos Tennisklub	1/97	2012/12/31	4 489	-	-	(2 861)	1 629	-	-
Stock loan @ 15.00%	KBR Tennisklub	2/97	2012/12/31	2 332	-	-	(1 486)	846	-	-
Stock loan @ 15.00%	Vista Rolbalklub	1/99	2013/12/31	2 516	-	-	(843)	1 673	-	-
Stock loan @ 15.00%	Hartenbos Bowling club	2/99	2015/12/31	92 500	-	-	-	92 500	-	-
Stock loan @ 15.00%	St Blaze Mooel Vlieers	2/2000/01	2015/11/01	13 538	-	-	-	13 538	-	-
Stock loan @ 15.00%	Hartenbos Bowling Club	1/2000/01	2015/07/20	92 308	-	-	-	92 308	-	-
Stock loan @ 15.00%	Mosselbaai Tennisklub	4/2000/01	2016/03/01	13 847	-	-	-	13 847	-	-
Stock loan @ 15.00%	Mosselbaai Aero club	1/2001/02	2016/10/01	178 462	-	-	-	178 462	-	-
Stock loan @ 15.00%	Mosselbaai Harriers	2/2001/02	2016/10/01	36 924	-	-	-	36 924	-	-
Stock loan @ 15.00%	Mosselbaai Bowling club	1/2002/03	2018/03/07	61 539	-	-	-	61 539	-	-
Stock loan @ 12.00%	Boggomsbaai Golf club	2/2003/04	2018/10/31	30 714	-	-	-	30 714	-	-
Stock loan @ 12.00%	Hartenbos Tennisklub	1/2003/04	2018/09/18	65 515	-	-	(5 818)	59 697	-	-
Total long-term loans				594 685	-	-	(11 007)	583 677	-	-
ANNUITY LOANS										
Eden District Municipality @ 0.00%		-	2012/02/28	67 440	-	77 039	9 599	-	-	-
Total annuity loans				67 440	-	77 039	9 599	-	-	-
LONG-TERM LOANS										
DBSA loan R30m	Development Bank of South Africa	1/2012/02	2027/06/30	30 000 000	-	-	-	30 000 000	-	-
Total annuity loans				30 000 000	-	-	-	30 000 000	-	-
TOTAL EXTERNAL LOANS				30 662 125	-	77 039	(1 408)	30 583 677	-	-

Appendix B : Segmental analysis of Statement of Financial Performance (Mun Dept classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012						
MUNICIPAL DEPARTMENT CLASSIFICATION						
2011	2011	2011	SEGMENT	2012	2012	2012
Actual income	Actual expenditure	Surplus/ (deficit)		Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
25 008 233	47 422 493	(22 414 260)	Municipal Manager & Council	62 694 186	545 493 946	(482 799 760)
1 112 914	20 181 279	(19 068 365)	Manager Corporate Services	1 359 428	18 396 584	(17 037 156)
216 879	3 637 411	(3 420 532)	Socio Economic Plan and Dev	4 319 106	3 842 395	476 711
3 986 800	13 822 900	(9 836 100)	Town planning & Building control	4 731 645	16 906 832	(12 175 187)
873 985	4 911 886	(4 037 900)	Libraries	925 752	5 472 794	(4 547 042)
71 906 092	30 616 748	41 289 344	Manager Financial Services	78 198 797	34 310 599	43 888 198
46 410	4 220 405	(4 173 995)	Manager Technical Services	(769 099)	4 559 397	(5 328 496)
233 580 821	155 813 620	77 767 201	Electricity	271 561 120	195 212 984	76 348 137
7 242 806	21 830 016	(14 587 210)	Streets and Storm water	18 487 993	30 688 612	(12 200 619)
59 811 259	35 420 870	24 390 389	Sewerage	59 626 992	38 295 729	21 331 263
245 429 714	129 819 295	115 610 419	Water	94 731 605	72 281 508	22 450 097
45 128	5 151 804	(5 106 676)	Manager Community Services	(549 697)	5 073 922	(5 623 619)
5 607 606	6 946 200	(1 338 595)	Caravan Parks and Chalets	5 760 403	6 437 135	(676 733)
170 353	525 529	(355 177)	Cemeteries	273 738	659 844	(386 106)
38 396 350	30 503 788	7 892 562	Cleansing	44 975 221	35 318 558	9 656 663
23 836 468	25 761 124	(1 924 657)	Integrated Human Settlements	32 461 885	29 929 987	2 531 898
8 073 523	26 367 806	(18 294 283)	Public Safety and Rescue Services	9 830 266	28 694 427	(18 864 161)
21 247	22 651 952	(22 630 705)	Parks and Recreation	1 895 281	43 153 478	(41 258 196)
725 366 587	585 605 126	139 761 462	Sub Total	690 514 621	1114 728 731	(424 214 110)
	718 896	(718 896)	Less inter-dep charges		853 597	(853 597)
725 366 587	584 886 229	140 480 358	Total	690 514 621	1113 875 135	(423 360 514)

Appendix C : Segmental analysis of Statement of Financial Performance (GFS classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012						
GFS CLASSIFICATION						
2011 Actual income R	2011 Actual expenditure R	2011 Surplus/ (deficit) R	SEGMENT	2012 Actual income R	2012 Actual expenditure R	2012 Surplus/ (deficit) R
1 089 466	10 589 218	(9 499 753)	Community & Social Services	649 793	11 206 561	(10 556 768)
233 580 821	155 813 620	77 767 201	Electricity	271 561 120	195 212 984	76 348 137
25 008 233	47 841 149	(22 832 916)	Executive & Council	62 694 467	545 982 804	(483 288 337)
73 065 416	54 598 451	18 466 965	Finance & Admin	78 817 266	56 776 411	22 040 855
23 836 468	25 761 124	(1 924 657)	Housing	32 461 885	29 929 987	2 531 898
-	1 325	(1 325)	Other	-	1 312	(1 312)
4 203 679	17 460 311	(13 256 632)	Planning and Development	9 022 329	20 749 227	(11 726 898)
8 073 523	26 367 806	(18 294 283)	Public Safety	9 830 266	28 694 427	(18 864 161)
7 242 099	16 321 421	(9 079 323)	Road Transport	16 590 415	24 442 082	(7 851 667)
5 628 853	29 598 153	(23 969 300)	Sport and Recreation	7 655 684	49 590 613	(41 934 929)
38 396 350	30 503 788	7 892 562	Waste Management	44 975 221	35 318 558	9 656 663
59 811 967	40 929 465	18 882 502	Waste Water Management	61 524 570	44 542 258	16 982 312
245 429 714	129 819 295	115 610 419	Water	94 731 605	72 281 508	22 450 097
725 366 587	585 605 126	139 761 462	Sub Total	690 514 621	1114 728 731	(424 214 110)
	718 896	(718 896)	Less inter-dep charges		853 597	(853 597)
725 366 587	584 886 229	140 480 358	Total	690 514 621	1113 875 135	(423 360 514)

Appendix D : Actual VS Budget (Revenue + Expenditure)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012					
REVENUE	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of significant variance greater than 10% versus budget
Property rates	71 386 891	72 069 951	(683 060)	-0.9%	
Property rates - penalties imposed & collection charges	1 720 676	1 750 000	(29 324)	-1.7%	
Service charges	402 588 187	379 639 641	22 948 546	6.0%	
Rental of facilities & equipment	9 232 307	9 581 717	(349 410)	-3.6%	
Interest earned - external investments	12 556 435	10 748 600	1 807 835	16.8%	The municipality budgeted for an interest percentage of 5.5 % and an average interest rate of 5,96% was realised. Better investment opportunities was experienced than what was budgeted for.
Interest earned - unamortised discount	-	-	-		
Interest earned - outstanding debtors	291 669	303 905	(12 236)	-4.0%	
Fines	4 911 385	5 354 338	(442 953)	-8.3%	
Actuarial gains	-	-	-		
Licences and permits	4 531 520	4 552 907	(21 387)	-0.5%	
Government grants and subsidies	96 559 456	62 198 746	34 360 710	55.2%	The Municipality had unspent grants to the amount of R16 million at year-end. Funds for Housing Topstructures to the amount of R16,1 million and for Housing Infrastructure to the amount of R12 million was not received as per the gazetted grant allocation. An amount of R5,9 million of the Equitable was withheld.
Other income	35 117 386	60 857 141	(25 739 755)	-42.3%	The budgeted contribution for R9,3 million from the Accumulated Surplus was not necessary seeing as the municipality had a cash operating surplus for the 2011/12 year. The contributions from External services and Land sales were under by an amount R7 253 990. The budgeted contribution from Transfer Erven was transferred through the Statement of Changes in Net Assets to the amount of R8 336 949.
Public contributions, donated/contributed PPE	12 276 261	86 517 431	(74 241 170)	-85.8%	Grants was incorrectly budgeted as Public contributions and this variance should actually be offset with the variance of Government grants and subsidies. The Municipality had unspent public contributions to the amount of R2,5 million at year-end.
Gain on disposal of Property, Plant & Equipment	4 570 854	43 500	4 527 354	10407.7%	Did not foresee the gain on disposal of PPE during budgeting process.
Total Revenue	655 743 026	693 617 877	(37 874 851)	-5.5%	

Appendix D : Actual VS Budget (Revenue + Expenditure)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012					
EXPENDITURE	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of significant variance greater than 10% versus budget
Employee-related costs	170 615 598	181 997 810	(11 382 212)	-6.3%	A higher pay percentage for Water and Sanitation services was budgeted for.
Remuneration of Councillors	7 753 895	8 289 386	(535 491)	-6.5%	
Impairment Costs	18 725 706	12 860 135	5 865 571	45.6%	
Collection Costs	5 810 207	6 092 145	(281 938)	-4.6%	
Depreciation	43 162 986	39 427 622	3 735 364	9.5%	Due to prior year adjustments to the Asset register (refer to Note 40)
Amortisation - Intangible Assets	41 199	14 027	27 172	193.7%	
Actuarial loss	38 616 607	2 500 000	36 116 607	1444.7%	No actuarial loss was projected in the 2010/11 Actuarial report and the Municipality therefor did not budget for a loss. The big actuarial loss is due to the fact that a retirement age of 60 was used in the previous actuarial report. However, age 50 is the earliest age in-service members qualify for the subsidy and the benefit becomes fully vested at this age.
Repairs and maintenance	40 621 903	45 464 931	(4 843 028)	-10.7%	R1,3 million of the public contributions received for Deforestation was unspent at 30 June 2012 and will be rolled over to the 2012/13 financial year. Various savings on expenditure (e.g. repairs of computer equipment, pump and pipelines) occurred.
Interest paid	1 619 381	1 700 226	(80 845)	-4.8%	R1,5m Cleansing services, R486 352 - RO Plant, R307761 Account printing
Bulk purchases	167 366 152	169 271 000	(1 904 848)	-1.1%	
Contracted services	27 411 007	30 446 242	(3 035 235)	-10.0%	An amount of R14,5 million was budgeted for the transfers for Land Sales and Ext. services to the reserves, which was transferred through the Statement of Changes in Net Assets and not through the Statement of Financial Performance. Funds for Housing Topstructures to the amount of R16,1 million was not received as per the gazetted grant allocation.
Grants and subsidies paid	3 018 847	3 102 757	(83 910)	-2.7%	
General expenses - other	122 485 281	147 902 005	(25 416 724)	-17.2%	Did not foresee the loss on disposal of PPE during budgeting process.
Loss on disposal of Property, Plant & Equipment	907 336	419 150	488 186	116.5%	
Total Expenditure	648 156 103	649 487 436	(1 331 333)	-0.2%	
NET SURPLUS/(DEFICIT) FOR THE YEAR (Before Fair)	7 586 923	44 130 441	(36 543 518)	-82.8%	
Impairment / Fair Value Adjustment of Investment Property	(430 947 437)	1 500 000	(432 447 437)	-28829.8%	Did not foresee impairment on Investment property. The municipality received a revaluation from an independent qualified valuator at year-end.
NET SURPLUS/(DEFICIT) FOR THE YEAR	(423 360 514)	45 630 441	(468 990 955)	-1027.8%	

Appendix E : Actual VS Budget (Acquisition of PPE)

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2012					
	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of significant variances greater than 5% versus budget
Land and Buildings					In total the Municipality had R11 103 553 Unspent grants funds for Capital Projects. Savings on capital projects is at this stage identified of R5 087 820. The municipality also did not receive an amount of R3 million from the Department of Housing for the Friemersheim Infrastructure project, as was gazetted. If these amounts are taken into account the underspending on Capital projects for the year under review came to 10%. Please refer to the Annual Report for detail on the achievement of the set out service delivery objectives.
Land and Buildings	231 200	306 500	75 300	24.57%	
	231 200	306 500	75 300	24.57%	
Infrastructure					
Drains	4 936 049	5 579 720	643 671	11.54%	
Roads	34 444 212	36 114 468	1 670 256	4.62%	
Sewerage Mains & Purif	19 724 611	17 737 125	(1 987 486)	-11.21%	
Electricity	16 680 609	18 839 400	2 158 791	11.46%	
Water	8 626 926	19 352 909	10 725 983	55.42%	
Waste Management	1 581 598	1 850 301	268 703	14.52%	
Other :Infrastructure Assets	132 502	132 502	0	0.00%	
	86 126 508	99 606 425	13 479 917	13.53%	
Community Assets					
Parks & Gardens	116 995	147 980	30 985	20.94%	
Libraries	189 399	351 428	162 029	46.11%	
Recreation grounds	686 789	701 900	15 111	2.15%	
Other Community Assets	4 631 467	5 153 997	522 530	10.14%	
	5 624 650	6 355 305	730 655	11.50%	
Heritage assets					
Historical buildings	-	-	-		
Painting & art galleries	-	-	-		
	-	-	-		
Total carried forward	91 982 357	106 268 230	14 285 873	13.44%	

Appendix E : Actual VS Budget (Acquisition of PPE) continued

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2012					
	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of significant variances greater than 5% versus budget
Total brought forward	91 982 357	106 268 230	14 285 873	13.44%	In total the Municipality had R11 103 553 Unspent grants funds for Capital Projects. Savings on capital projects is at this stage identified of R5 087 820. The municipality also did not receive an amount of R3 million from the Department of Housing for the Friemersheim Infrastructure project, as was gazetted. If these amounts are taken into account the underspending on Capital projects for the year under review came to 10%. Please refer to the Annual Report for detail on the achievement of the set out service delivery objectives.
Housing rental stock					
Housing rental 1	-	-	-		
Housing rental 2	-	-	-		
	-	-	-		
Leased assets (Infrastructure)					
Leased assets (Infrastructure)			-		
	-	-	-		
Other assets					
Landfill sites			-		
Office equipment	1 503 245	1 180 677	(322 568)	-27.32%	
Furniture & fittings	508 860	512 950	4 090	0.80%	
Motor vehicles	2 549 654	6 247 779	3 698 125	59.19%	
Computer equipment	2 298 776	2 442 460	143 684	5.88%	
Other	11 828 604	28 159 576	16 330 972	57.99%	
	18 689 140	38 543 442	19 854 302	51.51%	
Total	110 671 497	144 811 672	34 140 175	23.58%	

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2012												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
CAPITAL GRANTS & SUBSIDIES												
AZIZANI/ZINYOKA INFRASTRUCTURE	Department of Human Settlements	3,657,120	1,510,359	2,196,730	6,973,126	766,819	1,739,811	1,324,561	1,436,403	3,946,912		6,656,466
SEWERAGE AND WATER LINES	Department of Human Settlements				2,300,000					1,634,979		665,021
UPGRADE SEWER PLANT-FRIEMERSHEIM	MIG	66,269								66,269		-
BUCKET SYSTEM	MIG	22,510								21,933		578
FRIEMERSHEIM NEW BUS ROUTES	MIG	49,203			400,000		46,934		347,244			55,025
ASIZANI/ZINYOKA MAIN ACCESS ROADS	MIG	206,110			200,000		28,749	83,854	204,200	79,201		10,106
REHABILITATE MAYIXHALE STREET	MIG		360,000		7,983,000			248,995	5,322,054	2,771,951		-
EPWP : PAVE GRAVEL ROADS - ALL AREAS	MIG		350,000		3,650,000			107,753	118,978	3,773,270		0
EPWP : PAVE GRAVEL ROADS - ALL AREAS	EPWP	139,560					89,878	49,682				(0)
GBR: ENLARGE WATER TREATMENT PLANT	MIG	2,240,826			1,200,000			4,276	241,793	3,194,757		-
WARD COMMITTEES - FURNITURE, TOOLS & EQUIPMENT	MSIG				72,993			6,647	7,950	58,396		(0)
CDW - FURNITURE, TOOLS & EQUIPMENT	Department of Social Services			76,711						76,711		-
SCANNERS	FMSG				50,000	583						50,583
BEE-HIVES and TAXI RANK	NDPG				2,000,000				34	1,640,538		359,428
DONATED OFFICE EQUIPMENT	PAWC - Culture Affairs & Sport					222,190				222,190		-
ADDITIONAL HDD FOR TIVOLI BACK	MSIG	46,309								46,309		-
FRIEMERSHEIM INFRASTRUCTURE	Department of Human Settlements	1,385,216					1,241,482	71,695	60,659	11,380		0
TEMPORARY CASUAL STAFF - LIBRARIES	PAWC - Culture Affairs & Sport				82,000	957						82,957
ROADS BRANDWACHT	PTIG	1,616,264				32,909		42,186	1,574,078	32,909		(0)
PEDESTRIAN WALKWAYS GREENHAVEN	PTIG				500,000	2,577			41,147	461,431		(0)
HERBERTSDALE SIDEWALKS	PTIG				305,000	1,538			124,944	181,594		(0)
THUSONG CENTRE - KWANONQABA	Department of Social Development	4,779,116				170,769				2,325,915		2,623,971
ELECTRIFICATION PROJECTS	Department of Energy	938,400		1,832,000	168,000		497,806	517,442	1,147,500	775,652		(0)
TOTAL CAPITAL GRANTS		15,146,903	2,220,359	4,105,441	25,884,119	1,198,342	3,644,660	2,457,090	10,626,984	21,322,295	-	10,504,135

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2012												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
OPERATIONAL GRANTS & SUBSIDIES												
GBR/WOLWEDANS PROJECT (TOPSTRUCTURES)	Department of Human Settlements	1,411,530	5,195,992	8,002,631	4,255,615		5,476,628	6,237,253	3,646,832	3,505,055		0
TOILETS AND FACILITIES (TOPSTRUCTURES)	Department of Human Settlements				4,700,000							4,700,000
KIEWIET STREET (TOPSTRUCTURES)	Department of Human Settlements		240,880				239,543					1,337
SEESIG (TOPSTRUCTURES)	Department of Human Settlements				1,427,120				582,547	781,943		62,629
POWERTOWN (TOPSTRUCTURES)	Department of Human Settlements	9,080								9,080		(0)
HERBERTSDALE (TOPSTRUCTURES)	Department of Human Settlements	132,931		91,992						74,246		150,677
LGWSETA SKILLS DEVELOPMENT	SETA			21,657	331,234	56,319	6,500	67,272	208,083	316,507	189,151	-
FINANCE MANAGEMENT GRANT	FMG	4,495	1,250,000				247,312	109,716	218,001	586,438		93,028
EQUITABLE SHARE	NATIONAL		15,393,000		15,589,000	27,949	6,487,872	7,228,264	7,865,711	15,388,102	5,960,000	-
SUBSIDY NEWS LETTERS - M-Bay	PAWC - Culture Affairs & Sport		1,135		3,140	1,758	2,429	1,245	1,010	1,349		(0)
SUBSIDY NEWS LETTERS - D'Almeida	PAWC - Culture Affairs & Sport		574		1,583	902	574	1,144	1,604	(262)		(0)
SUBSIDY NEWS LETTERS - G/Brak	PAWC - Culture Affairs & Sport				620	507	58	465	644	(40)		-
SUBSIDY NEWS LETTERS - Greenhaven	PAWC - Culture Affairs & Sport				620	507	(17)	465	476	204		0
SUBSIDY NEWS LETTERS - Hartenbos	PAWC - Culture Affairs & Sport		282		638	495	356	431	456	172		-
SUBSIDY NEWS LETTERS - Kwanonqaba	PAWC - Culture Affairs & Sport		574		1,744	888	658	1,719	927	(99)		0
HOME OWNERS EDUCATION	Department of Human Settlements	4,284					4,284					-
PROVINCIAL MANAGEMENT SUPPORT GRANT	PAWC				150,000	210	48,803	70,646	17,966	12,261		534
COMMUNITY DEVELOPMENT WORKERS	Department of Social Services	49,113		27,289		3,041	1,005	3,721	3,763	59,106		11,848
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	MSIG				717,007		30,579	87,718	88,174	449,867		60,668
INTEGRATION RURAL SETTLEMENTS	Department of Human Settlements	23,426								23,426		-
TEMPORARY CASUAL STAFF - LIBRARIES	PAWC - Culture Affairs & Sport		335,000	254,000	172,000	8,191	169,595	155,934	161,815	169,195		112,651
SUBSIDY MAIN ROADS	PAWC - TRANSPORT					11,200			11,200			-
EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE	EPWP				3,116,390					2,145,691		970,699
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	DME	3,755,229					1,035,428	2,000,633	197,435	521,732		(0)
TOTAL OPERATING GRANTS		5,390,088	22,417,437	8,397,569	30,466,710	111,968	13,751,607	15,966,625	13,006,646	24,043,973	6,149,151	6,164,072

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2012												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
PUBLIC CONTRIBUTIONS & DONATED PPE												
EXPAND RAW WATER RESOURCES	PETROSA		18,153				18,153					-
DESALINATION PLANT	PETROSA	1,409,091			13,842		365,961	888,309	57,199	111,464		0
DESALINATION PLANT - Petro SA	PETROSA		493,155	721,874	531,270	787,740	326,229	892,542	56,087	1,614,693	355,511	-
REHABILITATE MAYIXHALE STREET	PETROSA	151,202	1,333,333							774,532		710,004
AMY SEARLE CHANNEL	PETROSA	581,387	1,333,333				103,510	1,468,249	275,076	48,555		19,330
DONATED COMPUTERS	Public Contribution					13,000				13,000		-
DONATED MICROWAVE OVENS	Public Contribution			400	400			400	400			-
UPGRADE CROSSING BILL JEFFREY	MIKEVA					30,000				30,000		-
FURNITURE, TOOLS & QUIPMENT	RED DOOR					94,995				94,995		-
RELIEF CHARITABLE FUND	Public Contribution	94,708		2,000	12,500	35,000	36,733	1,100	14,190	56,651		35,534
LOCAL ECONOMIC DEVELOPMENT	IDC				175,439		162,509	12,930				0
DIAZ FESTIVAL	GARDEN ROUTE CASINO					8,772				8,772		-
MAYORAL EVENT	Public Contribution					60,000						60,000
YOUTH DAY DONATIONS	PETROSA					32,351				32,351		-
DEFORESTATION	PETROSA	833,333	1,666,667						466,272	439,903		1,593,825
REHABILITATION OF RIVER MOUTHS	PETROSA	380,407	1,333,333						1,580,236	92,904		40,601
TOTAL PUBLIC CONTR. & DONATED PPE		3,450,128	6,177,975	724,274	733,451	1,061,858	1,013,095	3,263,530	2,449,460	3,317,819	355,511	2,459,294

TOTAL GRANTS, SUBSIDIES, PUBLIC CONTRIBUTIONS & DONATED PPE	23,987,119	30,815,771	13,227,285	57,084,280	2,372,168	18,409,362	21,687,245	26,083,089	48,684,088	6,504,663	19,127,501
--	-------------------	-------------------	-------------------	-------------------	------------------	-------------------	-------------------	-------------------	-------------------	------------------	-------------------

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2012												
Name of VOTE	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per vote)												
MUNICIPAL MANAGER		94,708	15,393,000	2,000	15,601,500	131,721	6,524,605	7,229,363	7,879,901	15,453,525	5,960,000	95,534
CORPORATE SERVICES		4,828,229	-	125,657	3,446,673	262,691	249,396	248,933	325,971	4,971,651	189,151	3,056,450
FINANCIAL SERVICES		50,804	1,250,000	-	50,000	583	247,312	109,716	218,001	632,747	-	143,611
TECHNICAL SERVICES		6,482,422	3,887,975	721,874	17,899,502	865,964	979,415	3,785,845	8,374,000	15,308,248	355,511	1,765,741
COMMUNITY SERVICES		1,213,740	3,337,564	254,400	180,745	343,433	173,652	161,802	2,213,840	1,033,512	-	1,747,077
ELECTRICITY SERVICES		4,693,629	-	1,832,000	168,000	-	1,533,234	2,518,076	1,344,935	1,297,384	-	(0)
DEVELOPMENT PLANNING & HOUSING		6,623,586	6,947,231	10,291,353	19,737,860	767,776	8,701,748	7,633,509	5,726,442	9,987,021	-	12,319,087
TOTAL PUBLIC CONTR. & DONATED PPE		23,987,119	30,815,771	13,227,285	57,084,280	2,372,168	18,409,362	21,687,245	26,083,089	48,684,088	6,504,663	19,127,501

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2012												
Name of GRANT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per grant)												
EQUITABLE SHARE	NATIONAL	-	15,393,000	-	15,589,000	27,949	6,487,872	7,228,264	7,865,711	15,388,102	5,960,000	-
FINANCE MANAGEMENT GRANT	NATIONAL	4,495	1,250,000	-	-	-	247,312	109,716	218,001	586,438	-	93,028
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	46,309	-	-	790,000	-	30,579	94,365	96,124	554,572	-	60,668
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	2,584,918	710,000	-	13,433,000	-	75,683	444,878	6,234,268	9,907,380	-	65,709
PROVINCIAL TRANSPORT INFRASTRUCTURE GRANT	Department of Transport	1,616,264	-	-	805,000	37,024	-	42,186	1,740,169	675,933	-	(0)
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Human Settlements	6,623,586	6,947,231	10,291,353	19,655,860	766,819	8,701,748	7,633,509	5,726,442	9,987,021	-	12,236,131
FINANCE MANAGEMENT SUPPORT GRANT	PAWC	-	-	-	50,000	583	-	-	-	-	-	50,583
SUBSIDY - MAIN ROADS	PAWC	-	-	-	-	11,200	-	-	11,200	-	-	-
EXTENDED PUBLIC WORKS PROGRAMME	PAWC	139,560	-	-	3,116,390	-	89,878	49,682	-	2,145,691	-	970,699
LIBRARY SERVICES	PAWC - Culture Affairs & Sport	-	337,564	254,000	262,345	14,205	173,652	161,402	166,932	170,520	-	195,608
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	Department of Mineral & Energy	3,755,229	-	-	-	-	1,035,428	2,000,633	197,435	521,732	-	(0)
MULTI-PURPOSE CENTRE	Department of Social Development	4,779,116	-	-	-	170,769	-	-	-	2,325,915	-	2,623,971
NEIGHBOURHOOD DEVELOPMENT GRANT	NDPG	-	-	-	2,000,000	-	-	-	34	1,640,538	-	359,428
PROVINCIAL MANAGEMENT SUPPORT GRANT	PAWC	-	-	-	150,000	210	48,803	70,646	17,966	12,261	-	534
COMMUNITY DEVELOPMENT WORKERS	Department of Social Services	49,113	-	104,000	-	3,041	1,005	3,721	3,763	135,817	-	11,848
LGWSETA SKILLS DEVELOPMENT	LGWSETA	-	-	21,657	331,234	56,319	6,500	67,272	208,083	316,507	189,151	-
ELECTRIFICATION PROJECTS	NER	938,400	-	1,832,000	168,000	-	497,806	517,442	1,147,500	775,652	-	(0)
DONATED PPE		-	-	400	400	330,185	-	400	400	330,185	-	-
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES		3,450,128	6,177,975	723,874	733,051	953,863	1,013,095	3,263,130	2,449,060	3,209,825	355,511	2,459,294
TOTAL GRANTS		23,987,119	30,815,771	13,227,285	57,084,280	2,372,168	18,409,362	21,687,245	26,083,089	48,684,088	6,504,663	19,127,501

GENERAL INFORMATION

Mayoral Committee:

Alderslady M Ferreira (Executive Mayor)
 Councillor H Levendal (Executive Deputy Mayor)
 Alderman J van der Merwe (Chairperson of Finance, Human Resources and Legal Services Committee)
 Alderman E Scheepers (Chairperson of Technical Services and Tourism Committee)
 Councillor C Bayman (Chairperson of Housing Committee)
 Councillor S Moodie (Chairperson of Community Services Committee)
 Councillor V Fortuin (Chairperson of Social Services & Local Economic Development Committee)

Speaker:

Alderman KH Smit

Ward Councillors:

1 Clr N R Mzola (ANC)	2 Clr N P Jwili (ANC)
3 Clr T M N Mkayo (ANC)	4 Alderman K H Smit (DA)
5 Clr J J Gerber (DA)	6 Alderman E Scheepers (DA)
7 Alderman J van der Merwe (DA)	8 Alderman N J Lodewyks (DA)
9 Clr E Meyer (DA)	10 Clr P Terblanche (DA)
11 Clr P A Du Plessis (DA)	12 Clr N P Malilwana (ANC)
13 Clr S Moodie (DA)	14 Clr J C Bayman (DA)

Proportional Representative Councillors:

Clr N C Booisen (DA)	Clr L Boom (ANC)
Clr E M Booysen (ANC)	Alderslady M Ferreira (DA)
Clr V Fortuin (DA)	Clr SS Mbandezi (ANC)
Clr H Levendal (DA)	Clr F N Mdumiso (ANC)
Clr D Nqayi (DA)	Clr J Siyoko (DA)
Clr R Skombingo (ANC)	Clr D van Rensburg (ACDP)
Clr M M van Wyk (ANC)	

Auditors:

The Auditor-General
 Private Bag X1
 CHEMPET, 7442

Registered Office:

101 Marsh Street
 Mossel Bay
 6506

Postal address:

PO Box 25
 Mossel Bay
 6500

CONTACTS






GENERAL:

Telephone: (044) 606-5000

Facsimile: (044) 606-5062

E-mail: admin@mosselbay.gov.za

Website: <http://www.mosselbay.gov.za>

TITLE	CONTACT INFORMATION	KEY PERFORMANCE AREAS
<i>Municipal Manager</i>		
	 044 606 5000  044 606 5062  twilliamson@mosselbay.gov.za Secretary: Tania Williamson  044 606 5003	Promote good governance Ensure effective and efficient basic service delivery Ensure effective and efficient institutional development and transformation Ensure effective and efficient financial viability and management Promote participative management Strategic planning Promote Council's objectives by ensuring tasks are implemented
<i>Name: Dr Michele Gratz</i> <i>Since: 1 June 2009</i>		

Director Corporate Services



*Name: Edward Jantjies
Since: 1 September 2007*

044 606 5005
044 606 5062
ejantjies@mosselbay.gov.za
Secretary: Rolene Treurnicht
044 606 5005

Human Resource Services.
Secretariat.
Legal and Contract Management Services.
Archives.
Socio-economic Development Services.
Youth Development and Disability and Gender Affairs.
Ward Committee Management.
Public Participation.
Integrated Development Planning (IDP).
Managing the Employment Equity Plan.
Managing the Performance Management System.

Director Financial Services



*Name: Herman Botha
Since: 1 July 1993*

044 606 5009
044 606 5062
hbotha@mosselbay.gov.za
Secretary: Lisma Snyman
044 606 5009

Finance
Income
Expenditure
Information Technology
Supply Chain Management

Director Technical Services



*Name: Dick Naidoo
Since: 1 February 2007*

044 606 5082
044 606 5062
dnaidoo@mosselbay.gov.za
Secretary: Melany Petersen
044 606 5082

Electrotechnical Services(Electricity Distribution and Street Lighting)
Civil Services (Water and Sewer, Streets and Storm Water, Project Management)
Mechanical Services (Pumpstations, Telemetry and Fleet Management)

Director Community Services



*Name: Colin Puren
Since: 1 March 2002*

044 606 5007
044 606 5062
cpuren@mosselbay.gov.za
Secretary:Siphokazi Majola
044 606 5007

Parks and recreation
Fire and rescue
Community safety and traffic
Waste management and pollution
Community halls and resorts
Library Services

Director of Development and Planning



Name: Charl Moller

Since: 1 December 2008

044 606 5073

044 690 5062

cmoller@mosselbay.gov.za

Secretary: Helene Bailey

044 606 5073

Strategic Planning

Spatial Planning























Development Management

Building Control

Municipal Properties

Municipal Buildings

Human Settlement (Housing)

POSITION	CONTACT INFORMATION	POLITICAL WARD AFFILIATION
 Executive Mayor Alderlady M Ferreira	 0446065138  0836533570  0446910404  mayor@mosselbay.gov.za	PR 
 Executive Deputy Mayor Clr H Levendal	 0446065060  0826901161  0446065140  hlevendal@mosselbay.gov.za	PR 
 Member of the Executive Mayoral Committee- /Chairperson Housing Clr CJ Bayman	 0446065060  0832415205  0446065140  cbayman@mosselbay.gov.za	14 
 Councillor Clr NC Booisen	 0724637186  niklaasbooisen@yahoo.com	2 



Councillor
Clr PA du Plessis



0446981421



0733948006

11



flipcecia@telkomsa.net



Member of the Executive
Mayoral Committee /
Chairperson Social Services
& Local Economic
Development
Clr V Fortuin



0446065060



0730850703



0446065140

PR



vfortuin@mosselbay.gov.za



Councillor
Clr JJ Gerber



0446203089



0828565017



0446203089

5



gansie@telkomsa.net



Councillor
Alderman N Lodewyks



0446912217



0832906669



nicolodewyks@telkomsa.net

8



Councillor
Clr E Meyer



0768953922

9





Member of the Executive
Mayoral Committee /
Chairperson Community
Services
Clr S Moodie



0446065060



0792734509



0446065140

13



smoodie@mosselbay.gov.za

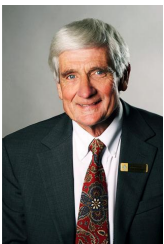


Councillor
Clr D Ngayi



0782515730

PR



Member of the Executive
Mayoral Committee /
Chairperson Technical
Services & Tourism
Alderman E Scheepers



0446065060



0835642238



0446065140

6



eschepers@mosselbay.gov.za



Councillor
Clr J Siyoko



0780695525

PR





Speaker
Alderman K Smit

0446065027
0733371464
0446065140

PR

ksmit@mosselbay.gov.za



Councillor
Clr P Terblanche

0446951031
0824906564
0866033571

10

petruterblanche@telkomsa.net



Member of the Executive
Mayoral Committee /
Chairperson Finances,
Human Resources & Legal
Services
Alderman J van der Merwe

0446065060
0825504242
0446065140

7

jvandermerwe@mosselbay.gov.za



Councillor
Clr M Boom

0713080064

PR





Councillor
Clr EM Booysen

0446511666
0824723676
0749578040
0446511666
booysenc@telkomsa.net

PR



Councillor
Clr NP Jwili

0747610037

2



Councillor
Clr TMN Mkayo

0783103360

14



Councillor
Clr SS Mbandezi

0789268559

PR



Councillor
Clr FN Mdumiso

0769106038

PR





Councillor
Clr NP Malilwana



0721161789

3



Councillor
Clr NR Mzola



0446933521



0822588950

1



Councillor
Clr R Skombingo



0446933465



0824144910

PR



Councillor
Clr MM van Wyk



0761265907

PR



Councillor
Clr D van Rensburg



0446951181



0824977549



0446919074

PR



dot.rens@yahoo.com

